Congressional Record

PROCEEDINGS AND DEBATES OF THE SIXTY-NINTH CONGRESS
FIRST SESSION

SENATE

MONDAY, *February 8, 1926*

(Legislative day of Monday, February 1, 1926)

The Senate reassembled at 11 o'clock a. m., on the expiration of the recess.

Mr. JONES of Washington. Mr. President, I suggest the absence of a quorum.

The VICE PRESIDENT. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Ashurst	Ferris	King	Sheppard
Bingham	Fess	La Follette	Shipstead
Blease	Fletcher	McKellar	Shortridge
Borah	Frazier	McLean	Simmons
Bratton	George	McMaster	Smith
Brookhart	Gerry	McNary	Smoot
Broussard	Gillett	Mayfield	Stanfield
Bruce	Glass	Metcalf	Stephens
Butler	Goff	Moses	Swanson
Capper	Gooding	Neely	Trammell
Caraway	Hale	Norbeck	Tyson
Copeland	Harreld	Norris	Underwood
Couzens	Harris	Nye	Wadsworth
Curtis	Harrison	Oddie	Walsh
Dale	Heflin	Pine	Watson
Deneen	Howell	Ransdell	Weller
Dill	Johnson	Reed, Pa.	Williams
Edge	Jones, Wash.	Robinson, Ind.	Willis
Edwards	Kendrick	Sackett	
Fernald	Keyes	Schall	

Mr. JONES of Washington. I wish to announce that the Senator from Wyoming [Mr. WARREN], the Senator from North Carolina [Mr. OVERMAN], the Senator from Wisconsin [Mr. LENROOT], the Senator from Colorado [Mr. PHIPPS], and the Senator from Delaware [Mr. BAYARD] are engaged in a hearing before the Committee on Appropriations.

I also desire to announce that the Senator from Iowa [Mr. CUMMINS], the Senator from Kentucky [Mr. ERNST], and the Senator from Colorado [Mr. MEANS] are detained at a hearing before the Committee on the Judiciary.

The VICE PRESIDENT. Seventy-eight Senators having answered to their names, a quorum is present.

PETITIONS AND MEMORIALS

Mr. McKINLEY presented resolutions adopted by the board of supervisors of Livingston County, Ill., favoring the passage of the so-called Dickenson bill, granting relief to and stabilizing the agricultural industry, which were referred to the Committee on Agriculture and Forestry.

He also presented the memorial of Jesse R. Gentley, of Chicago, Ill., remonstrating against the abrogation of the present policy of charging fees for grazing privileges in the national parks and forests and substituting individual grazing rights upon an area basis in said parks and forests, which was referred to the Committee on Public Lands and Surveys.

Mr. WARREN presented a resolution adopted by the Women's Departmental Club of Casper, Wyo., authorizing an adequate appropriation for the construction and operation of the proposed Casper-Alcova irrigation project, which was referred to the Committee on Irrigation and Reclamation.

He also presented a resolution adopted by the Women's Departmental Club, of Casper, Wyo., protesting against any further extension of the boundaries of the Yellowstone National Park, which was referred to the Committee on Public Lands and Surveys.

He also presented resolutions adopted by the Lander Commercial and Kiwanis Clubs, in the State of Wyoming, favoring the extension of the boundaries of the Yellowstone National Park, which were referred to the Committee on Public Lands and Surveys.

REPORTS OF THE DISTRICT COMMITTEE

Mr. CAPPER, from the Committee on the District of Columbia, to which was referred the bill (S. 2041) to provide for the widening of First Street between G Street and Myrtle Street NE., and for other purposes, reported it without amendment and submitted a report (No. 151) thereon.

He also, from the same committee, to which was referred the bill (H. R. 4785) to enable the Rock Creek and Potomac Parkway Commission to complete the acquisition of the land authorized to be acquired by the public buildings appropriation act, approved March 4, 1913, for the connecting parkway between Rock Creek Park, the Zoological Park, and Potomac Park, reported it without amendment and submitted a report (No. 152) thereon.

BILLS AND JOINT RESOLUTIONS INTRODUCED

Bills and a joint resolution were introduced, read the first time and by unanimous consent the second time, and referred as follows:

By Mr. SHORTRIDGE:

A bill (S. 3033) for the relief of Charles R. Sies; to the Committee on Naval Affairs.

By Mr. GOODING:

A bill (S. 3034) authorizing the Secretary of the Interior to dispose of certain allotted land in Boundary County, Idaho, and to purchase a compact tract of land to allot in small tracts to the Kootenai Indians as herein provided, and for other purposes; to the Committee on Public Lands and Surveys.

By Mr. ASHURST:

A bill (S. 3035) granting a pension to Anna S. Tenney (with accompanying papers); and

A bill (S. 3036) granting a pension to Rachel E. Berry (with accompanying papers); to the Committee on Pensions.

By Mr. WADSWORTH:

A bill (S. 3037) to provide retirement for the Nurse Corps of the Army and Navy; to the Committee on Military Affairs.

By Mr. COPELAND:

A bill (S. 3038) for the relief of Joseph L. Keresey; to the Committee on Claims.

By Mr. ODDIE:

A bill (S. 3039) to provide a water system for the Indians living at the Dresslerville Indian colony near Gardnerville, Nev.; to the Committee on Indian Affairs.

By Mr. CAPPER:

A bill (S. 3040) to amend an act entitled "An act to regulate the height of buildings in the District of Columbia," approved June 1, 1910, as amended by an act of Congress approved December 30, 1910; to the Committee on the District of Columbia.

By Mr. WILLIS:

A bill (S. 3041) granting an increase of pension to Saretta L. Henderson (with an accompanying paper); to the Committee on Pensions.

By Mr. DALE (for Mr. GREENE):

A bill (S. 3042) granting an increase of pension to Flora E. Collins; to the Committee on Pensions.

By Mr. McKELLAR:

A bill (S. 3043) granting an increase of pension to George Milams (with accompanying papers); to the Committee on Pensions.

By Mr. ERNST:

A bill (S. 3044) granting a pension to Mary Cole Leach (with accompanying papers); to the Committee on Pensions.

By Mr. DILL:

A bill (S. 3045) granting a pension to T. J. Clancy; and

A bill (S. 3046) granting an increase of pension to Rosanna McWhorter; to the Committee on Pensions.

By Mr. HEFLIN:

A bill (S. 3047) for the relief of Charles O. Green; to the Committee on Claims.

A bill (S. 3048) to amend the United States cotton futures act as amended; to the Committee on Agriculture and Forestry.

By Mr. BRUCE:

A bill (S. 3049) for the relief of Mrs. M. McCollom, Margaret G. Jackson, and Dorothy M. Murphy; to the Committee on Claims.

By Mr. HEFLIN:

A joint resolution (S. J. Res. 52) authorizing an appropriation for a monument to Msj. Gen. William Crawford Gorgas, late Surgeon General of the United States Army; to the Committee on the Library.

AMENDMENT TO AGRICULTURAL APPROPRIATION BILL

Mr. FLETCHER submitted an amendment proposing to increase the appropriation for enabling the Secretary of Agriculture to investigate and certify to shippers and other interested parties the class, quality, and/or condition of cotton and fruits, vegetables, poultry, butter, hay, and other perishable farm products when offered for interstate shipment or when received at such important central markets as the Secretary of Agriculture may from time to time designate, or at points which may be conveniently reached therefrom, etc., from $348,755 to $353,755, intended to be proposed by him to House bill 8264, the Agricultural Department appropriation bill, which was referred to the Committee on Appropriations and ordered to be printed.

AMENDMENT TO FIRST DEFICIENCY APPROPRIATION BILL

Mr. HALE submitted an amendment proposing to appropriate $11,000 for the repair of damage done to roads, water systems, schools, and other public buildings as the result of the hurricane which visited American Samoa on January 1, 1926, intended to be proposed by him to House bill 8722, the first deficiency bill, 1926, which was referred to the Committee on Appropriations and ordered to be printed.

AMENDMENT TO NAVAL APPROPRIATION BILL

Mr. HALE submitted an amendment intended to be proposed by him to House bill 7554, the naval appropriation bill, which was referred to the Committee on Appropriations and ordered to be printed, as follows:

On page 42, line 16, after the sum "$4,100,000," insert the following: "for new construction and procurement of aircraft and equipment, $4,962,500: *Provided*, That in addition to the amount herein appropriated and specified for expenditure for new construction and procurement of aircraft and equipment the Secretary of the Navy may enter into contracts for the production and purchase of new airplanes and their equipment, spare parts and accessories, to an amount not in excess of $4,100,000."

OBJECTIONS TO PROHIBITION

Mr. EDWARDS. Mr. President, I ask unanimous consent to have printed in the RECORD a radio address delivered by my colleague [Mr. EDGE] on the 4th instant.

There being no objection, the address was ordered to be printed in the RECORD, as follows:

RADIO ADDRESS BY SENATOR EDGE, FEBRUARY 4, 1926

My fellow citizens, any law that has brought in its trail the havoc, the defiance, and the corruption which has followed the Volstead Act can not be successfully defended. It has not brought temperance; it has increased intoxication.

It is entirely beside the question to insist all law, no matter how unpopular, should be obeyed. No one disputes that. Neither does such insistence solve the problem.

This act has been given a fair trial. Hundreds of millions of dollars have been expended in an unsuccessful effort to enforce it, and yet violations have increased year after year.

The time has arrived to face the facts and no longer fall back on bluster and subterfuge.

To-day we have all the evils of preprohibition days plus increased drunkenness and arrests, increased alcoholic insanity and deaths, widespread corruption in the public service, more dives than we formerly had saloons, an appalling increase in liquor drinking among young men and young women, practically unknown before prohibition, and a general disrespect for all law that threatens the very foundation of the Republic.

What can we do about it?

I can offer at least one immediate method for relief.

We should make the Volstead Act as honest as is possible to accomplish through legislation. To-day it is an indefensible contradiction.

Do you realize that under its terms citizens are permitted to produce wine and cider for home consumption up to the point of proven intoxication, while the same citizens are criminals if they make or possess beer or cereal beverages containing one-half of 1 per cent alcohol, which all admit is not intoxicating or near intoxicating? I ask my opponent who will follow me if this is not absolutely true.

This discrimination in itself furnishes an excuse, warranted or otherwise, for thousands of citizens to utterly disregard a law so inconsistent and so unjust.

The prohibition amendment only prohibits intoxicating beverages. Then why should Congress prohibit nonintoxicating beverages?

At least Congress can rectify this indefensible condition, and Congress has no moral right to refuse to do so, whatever the result.

Government prohibition officials, district attorneys, and Federal judges engaged in enforcing the law now freely admit that these inconsistencies make their work impossible. How, then, can Congress longer refuse to squarely and fairly meet the issue?

Everyone is desirous of a temperate condition. But the Volstead Act has not brought that about.

Modification of the act within the clear terms of the Constitution would partly subdue the spirit of protest and challenge now so apparent.

Again, would it not be far better for the morals of the Nation to have a temperate condition than prohibition that does not prohibit, but rather breeds defiance, and in addition leaves in its wake a rapidly broadening trail of misery and corruption?

In discussing the colossal failure of the Volstead Act I seldom refer to the stupendous expense to the taxpayers. Were real results accomplished, no one would question the cost.

However, when a Federal officer sworn to enforce the law frankly exposes the situation, as did United States District Attorney Buckner in New York a few days ago, it is time to sit up and take notice. The district attorney disturbed those who decline to admit failure by claiming with present Federal appropriations, which according to Attorney General Sargent amount now to $30,000,000 a year, he was unable to more than make an effort to cover one-fifth of the violations.

If District Attorney Buckner's estimate is correct that it requires $30,000,000 to pursue one-fifth of the violations and then fail, it would apparently require $150,000,000 annually to conduct anything like a complete campaign of enforcement.

This is entirely apart from the millions States and municipalities are spending and the millions it costs to maintain the courts of the country, both State and Federal, whose work to-day is almost exclusively confined to violations of the prohibition act. Just think of it! One hundred and fifty million dollars a year from the taxpayers. Why, do you realize that the last Federal appropriation for the great Department of Agriculture, with all its ramifications in every State in the Union, was less than this amount? Can't you imagine when the American people actually realize this situation they will arise en masse and demand a termination of the bluff which instead of bringing about temperance is demoralizing the public service of the country?

O fellow citizens, the time has passed for stubbornness and politics, for impugning motives and misrepresenting facts. This intolerable situation in which we find ourselves must be remedied. A solution can not be reached through vilification. The facts are with us and we can no longer evade them.

I will quote but one statistic. It should be convincing. The Federal Bureau of the Census recently issued a table showing the combined death rate in the country from all causes as gradually decreasing, while during the same period the deaths from alcoholic poisoning have increased without exception in every single State in the Union. Is that sectional? And yet defenders of the Volstead Act claim progress. There has been progress, but the trouble is it has been in the wrong direction.

I have always admitted modifying the Volstead Act, while greatly helping the situation, will not solve the entire problem.

We can well afford to heed the much better moral and social condition prevailing in the various so-called wet Provinces of our neighbor on the north, Canada.

Most of the Canadian Provinces tried our experiment and, following us, voted dry. All but one—Ontario—has returned to some form of wetness. Surveys and reviews of the results have clearly and positively demonstrated generally improved conditions.

These countries have apparently decided governmental distribution of pure and legalized liquors was preferable to the bootleggers' distribution of poisonous substitutes. That's what we have to-day.

We could profit through their experience and some day we will, but it is appalling to contemplate the havoc in the meantime.

The bootleggers and the extreme drys are together resisting all efforts for modification. Public opinion, however, as now daily expressed from pulpit and forum, is demanding action and freely admitting the error we have made. Only pure, unadulterated stubbornness maintains otherwise.

I earnestly hope the demand for modification, now so manifest, will grow stronger and stronger, in order that cooperative action can be assured and respect for law renewed.

Is it not significant when prominent educators, like Dean Gauss, of Princeton, and President Butler, of Columbia, demand modification? They are in daily contact with those approaching manhood. They unhesitatingly admit the calamity of the present situation.

Only to-day an association of the powerful Episcopal Church, through Doctor Empringham, secretary of the Church Temperance Society, came out flatly for modification. Certainly no sane man would question their sincerity.

The common-sense result of modification would be a lower consumption of hard liquors. That's true temperance.

We are not enlisted in an effort to tear down but rather to build up. To amend an unworkable law is not to violate it, but rather to make it worthy of the great Republic in which we live. We can and will no longer perpetuate a lie.

[Senator DILL followed, whose address appeared in the proceedings of the Senate of Saturday, February 6 (legislative day of Monday, February 1), 1926.]

REBUTTAL BY SENATOR EDGE

My friends, as I anticipated, and yet with every good feeling to my colleague, he has adopted the usual old tactics, fallen back on the same old worn-out claims which I have on previous occasions completely punctured and disproved.

He asked me two questions, and in the limited time I have I don't want him to have the opportunity to say I have evaded anything. I will answer both of them.

He asked if I really am in favor of 2.75 per cent beer or some other voltage of beer, or whether I believed that the eighteenth amendment should stand, or if it should be amended or repealed.

When he attempts to minimize the inconsistencies and the discriminations of the present Volstead Act by using the expression that the cider and wine privilege of that act was for a few housewives to make fruit juices, then I must accuse him of evasion. Does he know that in the State of California alone over 45,000 permits were asked for and issued to enable citizens of that State to make what he calls fruit juices—in reality to make, of course, wine, and to make wine as intoxicating as 90 per cent of them could make it? They would not have bothered with permits otherwise. And when I contend that the Volstead Act, unless it be fair to all classes of citizens, invites the protest and challenge we now know exists, I simply repeat what every citizen knows and will admit if he wants to admit the facts.

Why should there be any objection to at least making the Volstead Act consistent in this regard? The Senator admits that we can not amend the Constitution through an act of Congress. I absolutely agree with him. Any amendment we add to the Volstead Act allowing 2.75 beer or whatever voltage that is not proven intoxicating as now allowed wines, the Supreme Court will have the final say. Why should Congress refuse this privilege? In refusing the privilege they invite the protest which is evident over all this country, and naturally so.

In his second question, as I recall it, he claimed a large quantity of beer was drunk before prohibition went into effect. I agree with him. And this is one of the main arguments I present. I say this because of the great number of people to-day who are drinking all kinds of substitute poisonous concoctions of every character. Our Nation was 100—yes, 1,000 per cent better off when they were drinking beer than when they are drinking the concoctions of to-day. My dear Senator, I think you made the statement that you looked forward to the day when the use of alcohol will have passed. We all look forward to the day when we, at least, can be temperate, but you can not look forward to impossibilities. We are facing an issue we can not evade, and we should admit it is the duty of Congress to meet the issue. Perhaps my solution is not the best, but I want to see the time when both sides are free from bias and not extreme either way, when they will sit around a table recognizing the problem and solve it fair to the rights of all American citizens.

SARAH A. LUCAS

Mr. CURTIS submitted the following resolution (S. Res. 143), which was referred to the Committee to Audit and Control the Contingent Expenses of the Senate:

Resolved, That the Secretary of the Senate hereby is authorized and directed to pay to Sarah A. Lucas, widow of James J. Lucas, late a laborer employed under the Sergeant at Arms of the Senate, a sum equal to six months' compensation at the rate he was receiving by law at the time of his death, said sum to be considered inclusive of funeral expenses and all other allowances.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Farrell, its enrolling clerk, announced that the House had passed a bill (H. R. 8722) making appropriations to supply urgent deficiencies in certain appropriations for the fiscal year ending June 30, 1926, and prior fiscal years, to provide urgent supplemental appropriations for the fiscal years ending June 30, 1926, and June 30, 1927, and for other purposes, in which it requested the concurrence of the Senate.

ENROLLED BILL SIGNED

The message also announced that the Speaker of the House had affixed his signature to the enrolled bill (S. 1423) to relinquish the title of the United States to the land in the donation claim of the heirs of J. B. Baudreau, situate in the county of Jackson, State of Mississippi, and it was thereupon signed by the Vice President.

HOUSE BILL REFERRED

The bill (H. R. 8722) making appropriations to supply urgent deficiencies in certain appropriations for the fiscal year ending June 30, 1926, and prior fiscal years, to provide urgent supplemental appropriations for the fiscal years ending June 30, 1926, and June 30, 1927, and for other purposes, was read twice by its title and referred to the Committee on Appropriations.

TAX REDUCTION

The Senate, as in Committee of the Whole, resumed the consideration of the bill (H. R. 1) to reduce and equalize taxation, to provide revenue, and for other purposes.

Mr. WILLIS. Mr. President, one of the amendments which will be found upon the desks of Senators, and to which attention will be drawn when we come to amendments other than committee amendments, relates to the subject of living revocable trusts, on which I shall desire to make some observations when the time comes. Meanwhile I ask permission to have printed in the RECORD resolutions that have been adopted by the Cleveland (Ohio) Chamber of Commerce touching the question of living revocable trusts.

The VICE PRESIDENT. Without objection, the resolutions will be printed in the RECORD.

The resolutions are as follows:

THE CLEVELAND CHAMBER OF COMMERCE,
Cleveland, February 6, 1926.

Hon. FRANK B. WILLIS,
United States Senate, Washington, D. C.

DEAR SIR: The secretary has the honor of bringing to your attention the following action of this chamber:

"Whereas it has come to the attention of the Cleveland Chamber of Commerce that creators of revocable trusts have been subjected to a hardship in the administration of the income tax laws for the years 1919 to 1923, inclusive, occasioned by the voluntary reversal of the policy of the Treasury Department as to the taxation of the income of such trusts; and

"Whereas persons who have created such trusts, of whom there are many in the vicinity of the city of Cleveland, have in effect been penalized for relying upon the rulings and regulations of the Treasury Department that were in force prior to such voluntary reversal thereof; and

"Whereas Senator FRANK B. WILLIS, of Ohio, has indicated his intention to introduce in the Senate of the United States an amendment to the revenue bill now pending before Congress, which amendment will correct by retroactive enactment the injustice that has been done as aforesaid; and

"Whereas the purpose of said amendment is to enact and make the law for such prior years as it was considered to be by the Treasury Department and by Congress when revenue acts prior to the revenue act of 1924 were passed: Now therefore be it

"*Resolved*, That the Cleveland Chamber of Commerce, upon the recommendation of its committee on taxation, go on record as favoring said amendment as being a means of affording justice to taxpayers who will otherwise be subjected to a penalty for relying upon the rulings and regulations of the Treasury Department."

Very truly yours,

MUNSON HAVENS, *Secretary.*

Mr. SMOOT. Mr. President, I desire now that the Senate shall resume consideration of the amendment making tax returns public records, the amendment being found on page 113.

The VICE PRESIDENT. The Clerk will state the amendment of the committee and the pending amendment to the amendment.

The CHIEF CLERK. The committee proposes, under the subhead "Returns to be public records," on page 113, line 2, before the word "shall," to strike out "but they" and insert "but, except as hereinafter provided in this section and section 1203, they," so as to read:

SEC. 257. (a) Returns upon which the tax has been determined by the commissioner shall constitute public records; but, except as hereinafter provided in this section and section 1203, they shall be open to inspection only upon order of the President and under rules and regulations prescribed by the Secretary and approved by the President.

The Senator from Nebraska [Mr. NORRIS] moves to amend the amendment of the committee on page 113, line 1, by striking out all after the word "records" down to and including the word "President" in line 5, and in lieu thereof to insert: "and shall be open to examination and inspection as other public records under the same rules and regulations as may

govern the examination of public documents generally," so as to read:

Returns upon which the tax has been determined by the commissioner shall constitute public records, and shall be open to examination and inspection as other public records under the same rules and regulations as may govern the examination of public documents generally.

Mr. NORRIS. Mr. President, I desire briefly to explain the pending amendment. Many Senators have asked me whether the adoption of the amendment would mean that officials of the Government would be required to publish income-tax returns. There is no such thing contemplated in the amendment. It is true that under the existing law it is the duty of the revenue officials to publish the names of the taxpayers together with the amounts of taxes which they pay. That provision of law is repealed by the bill as it passed the House and no attempt has been made by the Finance Committee of the Senate to restore the provision. The amendment now pending, known ordinarily as the publicity amendment, does not restore that provision of law.

The amendment upon which we are to vote when we reach a vote on the pending question is identical word for word with an amendment which I offered when we had the prior revenue bill before the Senate. It is in the exact language in which the amendment passed the Senate by a vote of 48 yeas and 27 nays. It simply provides that the income-tax returns are public documents and that they are subject to the right of anybody to examine them under the same conditions as any other public document.

If this amendment I have offered shall be agreed to, it will put the bill, so far as this part of it is concerned, word for word, in exactly the same condition in which the last tax bill was when it passed the Senate. If the amendment shall be agreed to, the bill will then read as follows:

SEC. 257. (a) Returns upon which the tax has been determined by the commissioner shall constitute public records and shall be open to examination and inspection as other public records under the same rules and regulations as may govern the examination of public documents generally.

Mr. COPELAND. Mr. President, will the Senator yield to me?

Mr. NORRIS. I yield to the Senator from New York.

Mr. COPELAND. Will the Senator from Nebraska make clear to the Senate how it was, then, that the Treasury Department gave out these records?

Mr. NORRIS. I will make that perfectly clear right now.

Mr. COPELAND. I think it is very necessary that that should be understood.

Mr. NORRIS. When the last tax bill passed the Senate it had in it just the provision which I have read. The bill went to conference, and the conferees struck the provision out and put in lieu the existing law, which provides, as I have stated, that the names of the taxpayers shall be published together with the amount of tax which they pay. That was not in the bill as it passed the Senate. The present provision of the law was a compromise, which was agreed to in the conference committee.

Mr. HARRISON. Mr. President——

Mr. NORRIS. I yield to the Senator from Mississippi.

Mr. HARRISON. The provision with reference to the publication of names and the amount of tax paid was optional, was it not? It was not mandatory upon the department to publish that information?

Mr. NORRIS. I think it was mandatory on the Treasury Department to furnish the information, but the department did not have to publish it.

Mr. HARRISON. It is my impression that it was optional; it was given out by the Secretary of the Treasury on the eve of an election.

Mr. NORRIS. Yes; but no newspaper was compelled to publish it unless it wished to do so. I do not mean to say that publication was imperative, of course.

Mr. COPELAND and Mr. REED of Pennsylvania addressed the Chair.

Mr. NORRIS. I yield first to the Senator from New York.

Mr. COPELAND. As I understand the Senator from Nebraska, this feature was not in the bill when it left the Senate?

Mr. NORRIS. It was not.

Mr. COPELAND. And it was not in the bill when the bill left the House of Representatives?

Mr. NORRIS. It was not.

Mr. COPELAND. But it was embodied in the bill by the conferees?

Mr. NORRIS. Exactly; that is correct.

Mr. COPELAND. As I understand, the Senator from Nebraska is now seeking an amendment which will make these records public records but will keep from the bill any such outrageous use of the material as was perpetrated upon the country by the Treasury Department?

Mr. NORRIS. Yes; that is correct.

Mr. REED of Pennsylvania. Mr. President, will the Senator from Nebraska yield to me?

Mr. NORRIS. I now yield to the Senator from Pennsylvania.

Mr. REED of Pennsylvania. If the Senator from Nebraska will look at the bottom of page 230 of the comparative print, I should like to ask whether he does not consider that clause (b) of section 257 of the revenue act of 1924 made it obligatory upon the part of the Commissioner of Internal Revenue to prepare for public inspection each year in the office of the collector of each internal revenue district a list containing the name, address, and amount of income tax paid by each taxpayer?

Mr. NORRIS. Yes, sir; I think that is so.

Mr. REED of Pennsylvania. So that there was nothing optional on the part of the Commissioner of Internal Revenue about making public that list?

Mr. NORRIS. No; I do not think there was anything optional on the part of the Government officials, but it was perfectly optional on the part of any newspaper whether or not it would publish the information.

Mr. REED of Pennsylvania. Yes; but the suggestion of the Senator from Mississippi [Mr. HARRISON], as I understood it, was that the Treasury Department had exercised some option and had voluntarily made these lists public. The Senator from Nebraska does not mean to imply that that did happen?

Mr. NORRIS. I do not.

Mr. HARRISON. I think that my question implied that the law probably was susceptible of that construction, but on now reading I wish to state that I was in error. There was no optional feature to it; it was mandatory.

Mr. DILL. Mr. President——

Mr. NORRIS. I yield to the Senator from Washington.

Mr. DILL. Did it ever occur to the Senator that this provision, which is now a part of the law of 1924, was written for the very purpose of making publicity unpopular? In other words, as the bill passed the House of Representatives there was no provision on the subject; the Senate adopted a provision making income-tax returns public records, but the conferees wrote a new provision which invited all the newspapers of the country to publish this information. That being the case, the newspapers did publish it, and gave an opportunity to build up the opposition to it.

Mr. NORRIS. Of course, I can not say what was in the minds of the conferees. I have not criticized and I do not now care to make any criticism as to the matter. The result, however, is perfectly clear. There is not any doubt about what the law is; there is not any doubt about how it came to pass. The facts have been briefly stated to me. Personally I do not care to go any further into that discussion.

Mr. SMOOT. Mr. President——

Mr. NORRIS. I yield to the Senator from Utah.

Mr. SMOOT. I was one of the conferees on the bill which became a law in 1924, and I will assure the Senator from Washington that there was no such intention. It was not intimated by any member of the conference committee, and I never heard such a suggestion until the present moment.

Mr. DILL. Mr. President, will the Senator from Nebraska yield to me?

Mr. NORRIS. Yes.

Mr. DILL. Whether what I have suggested was in the minds of the conferees or not, the fact remains that no provision could have been written in reference to the publicity of income-tax returns that would have served to make it as unpopular as it has been as the result of this provision. I call attention to the fact that in no other law do we provide for lists and then invite the newspapers to publish the taxes from $1 up to $1,000,000 paid on incomes.

Mr. COPELAND. Mr. President——

Mr. NORRIS. I yield again to the Senator from New York.

Mr. COPELAND. I want to have it made clear, Mr. President, how it is that this paragraph, which was just referred to by the Senator from Pennsylvania, got in the law.

Mr. NORRIS. It was put in by action of the conference committee. The conference committee put that in in lieu of the provision which the Senate had adopted, and which I am seeking again to have incorporated in the pending bill.

Mr. COPELAND. Let us make that certain by other evidence. Not that I doubt the Senator at all, but I want the Senate to know positively and definitely and certainly that that is the way it got into the bill.

I should like to ask the Senator from Utah [Mr. SMOOT] was the provision just referred to by the junior Senator from Pennsylvania in the bill as it passed the House or the Senate?

Mr. NORRIS. I can answer that question. I have just said that it was not in the bill as it was passed by the House or as it passed the Senate, but was added in conference.

Mr. SIMMONS. Although not in identical terms, I think it is substantially the same as the provision adopted by the Senate.

Mr. SMOOT. I will endeavor to get copies of the bills.

Mr. COPELAND. It will be brought out, then, later in the morning from the record what did happen, but I think the Senator from Nebraska is right. That is the way I remember it, but I think we should know certainly about it.

Mr. SMOOT. I have sent for a copy of the bills.

Mr. NORRIS. If we had the bill here, I think it would show what I have stated to be the fact.

I desired to make clear and bring out without any question of doubt so as to satisfy Senators just what the proposed amendment now pending will do. The law as it now stands was not proposed either in the House bill at that time or the Senate bill; it is not proposed by this amendment, and can not get into this bill unless the conferees should put it in again as a compromise. I hope they will not do so. If the Senator from New York will refer to the RECORD he will find that when the conference report came back to the Senate I addressed the Senate in opposition to the approval of the conference report. I did so mainly on the ground that the amendment which they had put in as a compromise in lieu of what the Senate had inserted was of no importance at best; it was only a sop. I doubted the wisdom of it and thought then it would be just as well to leave the returns secret as to adopt the provision agreed to by the conferees. So I voted against the conference report mainly on that ground. Of course, I realized then that it was an impossibility to defeat the conference report, because everybody was anxious to get away; everybody was anxious that the tax bill should be voted on, as will be the case when the conference report comes back on the pending bill with a compromise in it. That is true of every conference report, as a rule, and it is particularly true when we are nearing the end of a session and Senators want to get away.

The point I want to make clear is that the adoption of this amendment will not require the Government to do anything with these returns that is not done with every other public document. Tax returns are on all fours with all other public documents, and we should not allow rules or regulations that will make these public documents any different as to their examination from other public documents. Anybody can examine a public document under reasonable rules and regulations, and tax returns should be subject to examination in the same way.

Mr. SIMMONS. Mr. President, may I interrupt the Senator?

Mr. NORRIS. I yield to the Senator from North Carolina.

Mr. SIMMONS. The Senator does not deny the fact that if his amendment shall be adopted all income-tax returns, including, of course, the complete statements with respect to all of his business transactions during the year, will be open to the newspapers for inspection and publication, if they so desire.

Mr. NORRIS. They will be open, and the information will be available to the extent that the tax returns show it. They will be open to the same extent that the returns which the Senator from New York makes in the city of New York to the local assessor and on file there are open to every citizen who wants to examine them. They will be open to the same extent, and only to the same extent, that a tax return made by the Senator from North Carolina in his home town is open to inspection there; there will be no difference.

Mr. SIMMONS. All I meant to ask the Senator was whether they would not be open not only to any taxpayer in the country, whether or not he was directly or indirectly interested in a particular return, but whether they would not be open likewise to every newspaper and to every attorney who might want to find out about the return of a particular taxpayer.

Mr. NORRIS. Yes; certainly they would.

Mr. SIMMONS. And the record that would be so opened contains the minute history of the taxpayer's business and operations for the year in which the return is made.

Mr. NORRIS. To the extent that the law requires him to return such a history in his tax return that is true. In other words, it is just the same as the case of a man out on the farm who has 12 horses, 13 cows, 40 acres of wheat, 50 acres of corn, 27 hogs, 450 bushels of oats, which he returns to the assessor. He may also have five watches; he may have a diamond ring, though, if he be a farmer such a ring would be one that had descended to him from somebody else. He makes a return of all his property to the local assessor. It is all there on file. I can go and examine it if I want to do so. So can anyone else. Any newspaper in the town can look at it, and say, "Sam Jones, a farmer, returned 15 horses. We have been out and counted them, and he has 22." There is usually a provision—I think it is true practically without exception—that anyone who thinks the taxpayer has made an improper return can make complaint, and there are proper officials to hear it and take the matter up and go into it and see whether or not the taxpayer has or has not made a proper return. So, if he has been assessed too high, or thinks he has been assessed too high, he has the right to go and have the matter adjudicated. There is not any such provision in the Federal tax laws. So that publicity in this case will, perhaps, not go as far ultimately as local tax publicity goes.

If the Senator means to imply that that would not be fair, then there is not a tax return anywhere in the United States that is fair. This is nothing new. It involves no new principle. It simply makes a public document of what even the committee say ought to be a public document; but they surround it with a provision that nobody can look at it, even if it is a public document, unless the President permits it to be done.

Mr. SIMMONS. Mr. President——

Mr. NORRIS. I yield to the Senator.

Mr. SIMMONS. The Senator, of course, wants the facts of these matters brought out.

Mr. NORRIS. Certainly; and I am not objecting to interruptions, I will say to the Senator.

Mr. SIMMONS. The number of horses and mules and other items of visible personal property that a taxpayer owns and the amount of land that a taxpayer owns are matters that every man's neighbors know. They know that he owns that land and those horses and mules, and so on.

Mr. NORRIS. And it does not hurt him any, either; does it?

Mr. SIMMONS. But he is not required by any law of the States, so far as I know, to make a minute statement of all of his business transactions involving profits, losses, interest paid, debts due, and all that sort of thing, as in the other case. I think the cases are not quite analogous; and if the Senator will reflect upon the character of the returns that are made public in the States, I think he will see the difference.

In my State—I do not know how it may be in other States—lands are not valued by the taxpayer. They are valued by a committee representing the community. Personal property in the first instance is valued by him, but before it is entered upon the tax lists it is subject to review by a board. So that there is absolutely no objection on the part of anybody, so far as I know, to making public a thing which is already public.

Mr. COUZENS. Mr. President, will the Senator yield to me?

Mr. NORRIS. Just let me answer that first.

Mr. SIMMONS. I will say frankly to the Senator that while we have an income tax law in my State and we have an inheritance tax law in my State, I am not now advised whether the returns under those laws are made public or not. I will try to find out.

Mr. NORRIS. Mr. President, I think what the Senator has said is an additional argument why these income-tax returns should be made public documents and subject to inspection. The Senator says it does not hurt the farmer any when he has to return the number of horses he owns, because his neighbors know how many horses he has, and he can not make a misstatement without being caught. Suppose it were secret; suppose the law provided that this tax return should not be disclosed and that it was a public document that could not be examined unless the President gave permission to have the examination made. Would the Senator expect the man with 10 horses to make as careful a return as he would if it were public?

It is true, nevertheless, that the ordinary tax collector or assessor in most of the States, perhaps all of them, requires the taxpayer to tell about the bonds that he owns, the mortgages that he owns. It does not require him to tell how much he has made on them. That is public. John Jones shows that he has so many bonds, so many notes, so many Government bonds, so many State bonds. His neighbors may know that, or his neighbors may not know it. They may know that he is in the loaning business and loaning money, and necessarily that he has a great many notes. When he makes his return to the local assessor he tells the amount. When he makes his Federal return he tells the profit he has made. Does that hurt him any more than disclosing the amount?

You know, in a general way, if you can figure interest, about what a man makes if you know how many notes he has. A bank must make a return, not only to the assessor but to the Federal Government, of its loans. It shows what it makes. It shows how many bonds it has, the kind of bonds, how much cash it has, and the dividends that it has paid. Does that

hurt the bank? There was a fight against that when we enacted the national bank act, but nobody would change it now. The real bank that is prosperous makes statements even when not required by law, in order that the public may know the kind of business that it is doing.

In the case of a merchant who has a store, he reports to the local assessor the value of his stock. He reports the kind of stock, but he does not have to tell in his return how much money he made out of it. When the merchant makes a return to the Federal assessor, because the Federal Government assesses on his profits, he shows what his profits are. There is not any new principle involved. There is not anything new about it. It is as old as government. No one would stand for a moment for secrecy in the tax returns that are made to our local assessors. Nobody has been hurt by it unless the man is engaged in a dishonorable, dishonest business, and publicity might injure him.

Mr. GEORGE. Mr. President——

The VICE PRESIDENT. Does the Senator from Nebraska yield to the Senator from Georgia?

Mr. NORRIS. I do.

Mr. GEORGE. I should like to ask the Senator two or three questions, because I am interested in this phase of the tax act and voted in 1924 for the amendment, which I think was substantially the same as the one that is now under consideration.

Mr. NORRIS. Identically the same.

Mr. GEORGE. I should like, however, to call the Senator's attention to this fact:

When it comes to returns of tangible property, either real, personal, or mixed, there can be no serious objection, of course, to making those returns public, and there may be some good accomplished by it. I may desire to know whether my neighbor, who owns exactly the same kind of property that I own, is paying at the rate that I am required to pay; and it is conceivable that some good may result from comparing the values placed upon actual property. I submit this case to the Senator, however:

Two men may be engaged in the same kind of business. They may be located on opposite sides of the same street. They may start out with the same amount of capital; but those facts do not tell whether one is making money or whether he is losing money. The fact that my neighbor has made an income would be of slight benefit to me, or a slight indication of what my income tax should be upon my business.

In other words, I am trying to point out the difference between a return of real estate or of personal property, tangible property having an actual value, when the effort is to find the actual value of the property, and the inherent impossibility of knowing whether a man has made money on a given investment.

Mr. NORRIS. Mr. President, to my mind it is not injurious to the man to let the public know the amount of money that he is making, any more than it would be injurious to me, if I were in the loaning business, to have to tell the people how much money I had loaned out, or any more than it is injurious to a bank to have to tell the public what dividends it has declared, if any, during the preceding year. I can not see that it would be any injury to the person. I can not see that he is going to be interfered with in any way, unless he is trying to cover up something.

Mr. GEORGE. Mr. President, I was not asking the question to indicate whether he was going to be hurt or not. I am directing my question to the Senator now for the purpose of trying to elicit from him how anybody is going to be benefited by the publicity of his return.

Mr. NORRIS. I am going to try to show that as I proceed.

Mr. GEORGE. Of course, if nobody is going to be benefited, the Senator would not insist upon the amendment.

Mr. NORRIS. No; if no benefit is going to come from it, I do not care anything about it. I concede that.

Mr. GEORGE. I apprehend that that is true.

Mr. NORRIS. Mr. President, I do not care at this time to be diverted on that point, because I am going to spend some time on it in the argument I shall make.

Mr. HARRIS. Mr. President——

The VICE PRESIDENT. Does the Senator from Nebraska yield to the Senator from Georgia?

Mr. NORRIS. In just a moment.

I want to say now, briefly, that publicity in public affairs always benefits the public. I see the Senator shaking his head. The contrary thing is likewise true. Secrecy in Government affairs always injures the Government and the standing of the Goverment with the people, and always, if persisted in and carried on, brings inefficiency and ultimately corruption. The history of civilization demonstrates that the public business ought to be transacted in the eyes of the public. It goes without saying that if the returns to the local tax assessor were going to be forever secret, men would take advantage of that secrecy and would shave their returns; dishonest men would make erroneous returns and thus escape their just share of taxation, while the honest man, returning all his property fairly and squarely, would have his burdens of taxation increased to the extent that the dishonest man avoided taxation.

The very fact that we have publicity, standing all alone, will bring honesty in returns, because the dishonest man, knowing that his return is going to be subjected to scrutiny, to public gaze, to public examination if anyone wants to examine it, will hesitate before he makes a dishonest return and covers up his property or his gains or his losses.

I yield now to the Senator from Georgia.

Mr. HARRIS. Mr. President, objection has been made to publicity on the ground that the public should not know what profits men of wealth are making or losing in their business transactions. There is one thing that the Senator from Nebraska has not brought out in this discussion that I should like to remind him of.

A merchant, large or small, starts a business, and has a competitor across the street, or two men buy farms and are neighbors; one of them is not successful, and has to place a mortgage on his stock of goods or property or farm, which is recorded in the county clerk's office. If he is successful, and buys the property with a mortgage on it, he pays off that mortgage and this is canceled in the clerk of the court's office. All such transactions are made public, because it is placed on record; all town, county, and State tax records are public. Not only that, but the financial standing of all persons engaged in mercantile manufacturing or other business in the United States are public, as mortgages, laborers' liens, and so forth, are shown on court records. Bradstreet and Dun and other mercantile agencies make public their financial standing of all such persons. Why should men of wealth be allowed to have their income-tax returns kept secret. I can not see why there should be this discrimination. I think tax returns of the Government should be made public just the same as State, county, and town taxes are made public.

Mr. NORRIS. I thank the Senator for his observation. I think that is applicable.

I believe the Senator from Michigan wanted to interrupt me. I yield to him now.

Mr. SMOOT. Mr. President, will the Senator yield to me?

Mr. NORRIS. I yield first to the Senator from Michigan.

Mr. COUZENS. Mr. President, I just wanted to say this in response to the question of the Senator from Georgia, with respect to the difference between filing with a local assessor a statement of assets, personal or otherwise, and the matter he brought up of filing with the Federal Government or with any State, so far as that is concerned, a statement reporting income and earnings.

One of the outstanding arguments against publicity—or accessibility, as I prefer to call it—of these public records is, as the Senator from Georgia has said, that a man's competitors may find out what he is doing. That is the outstanding argument from business institutions throughout the country. I submit that anyone who has had any experience with banking, as many of the Senators here have had, or with big business, knows full well that by subscribing to Dun or Bradstreet, or any other credit agency, he can find out the most intimate details of his competitor's financial standing.

Mr. REED of Pennsylvania. Mr. President, will the Senator permit a question on that point?

Mr. COUZENS. Yes, Senator.

Mr. REED of Pennsylvania. Most of the reports made by Dun and Bradstreet's that I have seen gave a man's balance sheet. They showed what property he had, and what debts stood against him; but they did not show his annual earnings or his annual deficit. If they did they would run a lot of people out of business very quickly.

Mr. COUZENS. The Senator does not wait until I complete my statement. The statement from Dun and Bradstreet's, it is true, shows a balance sheet, but you can get appended thereto "Remarks," by special request, showing the amount of profits, the amount of dividends a man has paid, and the general condition of the business. Not only that, but bankers interchange that information.

Mr. REED of Pennsylvania. They do if the taxpayer is willing to have it given out; but has not the Senator seen many a return in which the taxpayer had declined to answer that question, but had replied that he was solvent and that his earnings were nobody's business?

Mr. COUZENS. That is entirely true; but I want to say that if I have a competitor and am doing business with a bank other than the bank with which the particular competing corporation or individual is doing business, I can go to my banker and find out substantially everything that I want to find out about my competitor's business. It is true that it is given to me in confidence, but I might by those means ascertain almost any intimate detail of any individual or corporation in business that I desired to know.

Mr. NORRIS. In much more detail than you can get it from his tax return to the Government.

Mr. COUZENS. Yes. For instance, I have here samples of reports filed by corporations and individuals which indicate what I mean. I submit that it would take more than a Philadelphia lawyer—it would probably take a Pittsburgh lawyer—to analyze these and obtain from them any specific information one desires to know. It would take days and days to go through them and get the information one desired, as is shown by the fact that auditors in the Bureau of Internal Revenue, who are trained in such matters, spend days upon auditing these returns.

Mr. GEORGE. Mr. President——

The VICE PRESIDENT. Does the Senator from Nebraska yield to the Senator from Georgia?

Mr. NORRIS. I yield.

Mr. GEORGE. When one calls on Dun's or Bradstreet's or any other commercial agency, he enters into a confidential relationship with them. That is a matter of business, and I apprehend that neither Dun's nor Bradstreet's nor any other respectable agency would give out information merely for the purpose of harassing men in business would furnish a competitor information merely for that purpose. That is a matter of business; it is a matter of confidence. The reports are confidential. That stands on altogether a different footing from a proposal to make the income-tax returns public. I am not discussing whether it hurts the income-tax payer, but I am asking what possible good can come from publicity of a man's income-tax return.

If I own real estate and my neighbor owns exactly the same kind of real estate, the taxing authority may be benefited by a comparison of the amount of taxes paid by my neighbor and myself, but one man may have a given amount of capital engaged in identically the same business followed by another, and he may make a success and pay an income tax, where the other man may make a complete failure, and there is absolutely nothing to be gained by a comparison of the income and earnings of the one man with those of the other.

Mr. NORRIS. Does not the Senator believe that the dishonest taxpayer will take advantage of the fact that his return is going to be secret, and will not make the same kind of a return that he would make if he knew it was going to be open to public inspection?

Mr. GEORGE. If he is dishonest, he will continue his dishonesty, because there is nothing to be gained by a comparison of returns.

Mr. NORRIS. He will not be induced to make an honest return or dishonest return because he is afraid of any comparison.

Mr. GEORGE. Mr. President——

Mr. NORRIS. I will ask the Senator to wait until I have finished this. The dishonest taxpayer will make a dishonest return in order to save money for himself. He will not return his gains; he will not return his profits. He will conceal in devious ways what he ought to disclose, if he knows that nobody will have the right to examine his return. He runs the risk only of some official examining it, and he knows that it is a physical impossibility for the officials to examine all of the returns.

Mr. WATSON. Mr. President, will the Senator yield?

Mr. NORRIS. I wish Senators would let me proceed for a while. I will yield to everybody in due time if it takes all week, but not to everybody at once.

The dishonest taxpayer is the man we want to get. We are trying to pass a law so that he will not be able to escape his just share of taxation. The honest man does not need such a law. Criminals are responsible for the enactment of practically all criminal laws. The dishonest taxpayer will seek a loophole by which to escape, and whenever you let him out you increase the burden of the honest man. My contention is that the same principle applies to this that applies to any other governmental business. If publicity prevents corruption and dishonesty, then we ought to have it everywhere. If it does not, then there is no use having it anywhere. We might just as well discharge these reporters of our proceedings and save that expense. We might as well close those doors and keep the newspaper men and the public out from the deliberations of this body and say, "We are going henceforth to do business in secret. Publicity does not do anybody any good. Whom will it help?"

I might not be able to point out just where it would help. I might have to admit that we could run along in secret and perhaps do better for a time than we would otherwise. But when I read the history of civilization, when I read about the rise and the fall of governments that have been born and have grown up and have died, I see that one of the greatest reasons why those governments have gone by the board and have failed is because of secrecy in public matters, because public officials have covered up their tracks. It enables dishonest men to take advantage, and although the machinery may be as pure as angels at the beginning, there has never yet been an exception; as time has gone on and secrecy has been permitted, eventually the government has become corrupt.

More than that, in a democracy, where the people are supposed to be familiar with the public business, to know how it is transacted, when it is done, and all about it, if it is covered up in secret methods everyone will naturally become suspicious, sometimes when there is no reason for suspicion, I admit. People will imagine that things are wrong often when no wrong exists. That is one of the evils of secrecy in public affairs.

Mr. WILLIAMS. Mr. President——

The VICE PRESIDENT. Does the Senator from Nebraska yield to the Senator from Missouri?

Mr. NORRIS. I yield.

Mr. WILLIAMS. I would like to ask whether in the State of Nebraska there is a statutory system under which the citizens of Nebraska become tax ferrets against their neighbors?

Mr. NORRIS. Mr. President, I wonder whether the Senator is in earnest in that question? I wonder if he is in good faith when he asks whether we have a system in Nebraska that induces one neighbor to ferret out the secrets of another neighbor? I do not think we are any different from the people of Missouri. Missourians have to be "shown" oftener than we do, perhaps, but I presume our laws are about the same.

Mr. WILLIAMS. Mr. President——

Mr. NORRIS. I will get to the Senator's question. He must let me talk a little while I have the floor. I submit to his questions, even though I do not think he is proceeding on very fair ground.

I presume the laws of Nebraska are very much like the laws of Missouri, under which the great Senator who is now asking the questions has been sent here. Under the law of Nebraska the return of the local assessor is a public document, subject to inspection by everybody who wants to go to his office and examine it. If his neighbor wants to examine it, he may do so. If a newspaper man wants to examine it, he may examine it. Anyone may examine the return. Our law also provides that if I think my neighbor is not assessed correctly, or that any other man in the county is not assessed properly, I can make a complaint before the board of equalization, the corporation or man against whom I make the complaint will be summoned before the board, and a trial will be had to see whether the assessment ought to be increased.

The law provides also that if I have been wrongfully assessed, I can complain of my own assessment, and that matter will be taken up and heard. As far as I know, from the date Nebraska became a State down to now, there has never been a voice raised against that publicity. As far as I know, there has never been an attempt on the part of anyone, rich or poor, to have returns made secret, indicating that the taxpayers are afraid that their neighbors, through that law, might be turned into detectives prying into the business of somebody else. The curious one may do that, but the curiosity will disappear in 24 hours, and the right of examination will not be abused.

Mr. WILLIAMS. Mr. President, will the Senator yield further?

Mr. NORRIS. I yield again to the Senator.

Mr. WILLIAMS. I meant exactly what I said to the Senator in asking him whether they had a system of tax ferrets in the State of Nebraska.

Mr. NORRIS. Tax what?

Mr. WILLIAMS. Ferrets, f-e-r-r-e-t-s, meaning one who seeks out and pries into the business of others and gets a reward if he finds that a man who has made a return has not made as full a return as he may be able to prove he should have made. In the State of Oklahoma I think they call them tax ferrets, and I think that the tax ferret in Oklahoma is given a reward if he can show that the State or the county should have received a higher tax than the one which would have been received had the return not been dishonestly made. I asked the question in good faith, to find whether the same system prevailed in the State of Nebraska.

Mr. NORRIS. I will answer the question in the same good faith. If we have such a law, I am not aware of it; I never saw it; and I do not think we have such a law. I have never known anyone engaged in that business.

Mr. WILLIAMS. It does not exist in the State of Missouri. In the State of Missouri we do not make returns to the local assessor for stocks in Missouri corporations; nor do we make returns for stocks in foreign corporations, if the foreign corporations pay taxes in the States in which they do their business; nor do we make returns of property which is exempt from taxation, as Government, State, or municipal bonds; nor do we make returns of notes held by the people of Missouri against people in Nebraska. So that the returns made by taxpayers in the State of Missouri of their general personal property are not in the least informative. Again, the real estate is not returned by the owners in the State of Missouri, but is assessed by the assessor of the county, and of course his assessments are public.

Mr. NORRIS. That is the point; his assessments are public.

Mr. WILLIAMS. But it is of property, not income.

Mr. NORRIS. Of course it is property; and if a man has property that is covered up, which he carries in his pocket like a note, if he makes an honest return, he will return it; and if his return is to be made public, he is afraid to conceal it, for fear somebody, even the man who owes the debt to him, might disclose the truth.

Mr. WILLIAMS. No; Mr. President, he will not return it, because the supreme court of our State has held that if a citizen of Missouri holds a note due from a citizen of Nebraska that is not taxable in the State of Missouri.

Mr. NORRIS. That was not the case I put at all. Now I yield to the Senator from Indiana.

Mr. WATSON. The question I am about to ask is not the one I rose to ask a few minutes ago, but I will ask this one anyway.

Mr. NORRIS. Very well.

Mr. WATSON. Has Nebraska a State income tax law?

Mr. NORRIS. We do not have an income tax.

Mr. WATSON. The Senator said a while ago that publicity would lead to honesty?

Mr. NORRIS. Yes.

Mr. WATSON. That the dishonest taxpayer would evade payment of his tax under the seal of secrecy?

Mr. NORRIS. Yes.

Mr. WATSON. If that is a fact, it should be disclosed by the last tax returns, should it not? The New York Times sent out a questionnaire to all collectors in the United States, and the universal response was that no greater collections had been made on account of publicity.

Mr. NORRIS. But that does not mean anything. The Senator does not contend that that amounts to anything? If I had stolen a horse and some one sent a questionnaire to ask me if I was the thief of course, I would answer no.

Mr. WATSON. The collector did not know about any stolen horse.

Mr. NORRIS. No; the collector did not know about it.

Mr. WATSON. The Senator has said that publicity would lead to the payment of greater taxes.

Mr. NORRIS. Yes.

Mr. WATSON. The collectors know whether or not greater taxes have been paid as a result of publicity, and they say there have not been.

Mr. NORRIS. We have not had publicity.

Mr. WATSON. What have we had?

Mr. NORRIS. We have had secrecy.

Mr. WATSON. Under the last law?

Mr. NORRIS. Practically the only publicity that ever came out of the plan has been the investigation by the so-called Couzens committee, and I am going to discuss that before I get through. I think the disclosures made by that committee ought to demonstrate to any fair-minded man that on account of secrecy we are losing hundreds of millions of dollars of taxes justly due the Government, and, on the other hand, many men are paying unjust taxes because of the secrecy and their inability to find out whether they have paid too much or not.

Mr. DILL. Mr. President——

The VICE PRESIDENT. Does the Senator from Nebraska yield to the Senator from Washington?

Mr. NORRIS. I yield.

Mr. DILL. A few moments ago there was a discussion as to what was contained in the 1924 bill as it came from the House at that time with regard to income-tax publicity. I want to read just what that provision of the 1924 act was as it came over to the Senate. Subsection (b) of section 257 then read as follows:

> The commission shall as soon as practicable in each year cause to be prepared and made available to public inspection in such manner as he may determine, in the office of the collector in each internal revenue district and in such other places as he may determine, lists containing the names and the post-office addresses of all individuals making income-tax returns in such districts.

The provision of the conference report on the House section changed the wording, and instead of "post-office addresses of all individuals" inserted the words "of each person," and then at the end, in lieu of the provision adopted by the Senate, which made those lists public records, the conferees added the words "together with the amount of income tax paid by such persons."

In other words, the House provision was innocuous; it meant simply that under that provision each district would furnish a list of the taxpayers without any reference to how much tax they paid. The conference provision, instead of using the language of the Senate provision with reference to public records, added the amount of tax paid, and to that extent invited the newspapers of the country to publish every income-tax return of $1.50 to $1,000,000, as I said a while ago. Nothing could have been done that would have been so effective in building up sentiment against the publicity of income-tax returns. We did not have publicity of income-tax returns at all; we had publicity of the amounts paid.

Mr. COPELAND. Mr. President, will the Senator from Nebraska yield?

Mr. NORRIS. Certainly.

Mr. COPELAND. The statement made by the Senator from Washington referred to the bill as it came from the House providing that the lists containing the names and post-office addresses should be supplied. Then in the Senate, on the motion of the Senator from Nebraska [Mr. NORRIS], the House provision was amended, and this language was added:

> And shall be open to examination and inspection as other public records, under the same rules and regulations as may govern the examination of public documents generally.

That is what we heard discussed in the Senate. That is what we voted on. Then the bill went to conference, and out of conference came the language and the action which has brought clouds of criticism upon the Senate. In the conference the language was added, "The amount of income taxes paid by such taxpayer." It never was intended by the Senate, when we took action upon the bill, that we should have publication in the newspapers in the way it has been carried on since the adoption of the conference report and the enactment of the bill into law.

Mr. DILL. It was not at least intended that the Government should use its own employees to furnish the lists to the newspapers.

Mr. COPELAND. Certainly it was not.

Mr. McLEAN. But the Senator from New York will not contend that under the amendment proposed by the Senator from Nebraska any newspaper reporter can not come to Washington and get not only the amount of tax but every detail and item and publish it?

Mr. SMOOT. He will not have to come to Washington; he can get it in every district in the country.

Mr. COPELAND. Of course I admit it.

Mr. McLEAN. It does not seem to me it will be any less objectionable.

Mr. COPELAND. But it never was intended by the Senate, and I do not believe that Senators ever understood that there was any such provision in the conference report as that the income-tax returns might be published in every newspaper in the country.

Mr. SMOOT. The amendment to the amendment would permit that. That is exactly what will be permitted if we vote favorably on the amendment which the Senator from Nebraska now offers; that was voted into the 1924 act.

Mr. COPELAND. The Senator from Nebraska had no idea, at least I did not have any idea, that those records should be spread all over the country in the outrageous way in which it has been done. All public records, of course, are open to the public.

Mr. McLEAN. If the amendment is adopted that is offered now they can do the same thing. If the Senator votes for the amendment offered by the Senator from Nebraska, that is what he is voting may be done.

Mr. COPELAND. I do not like to say this, but I am forced to say that I believe the Treasury Department purposely did that to bring criticism upon this body.

Mr. SMOOT. Oh, I do not believe that at all.

Mr. McLEAN. That is not the point. The objection raised by the Senator from New York is that the amendment which

was written into the law last year was exceedingly obnoxious because it permitted the newspapers to publish the amount of taxes paid.

Mr. NORRIS. Mr. President, I want to say a word on that subject. It did not give any real information. I think that is the only objection to it. If the Senator made his return and it showed on the face of it that he paid an income tax of $1,000, that would not be any real information. There is nothing in that information to indicate whether he has covered up anything or whether he has been dishonest or honest. In other words, the information that was given could be used for the purpose of bringing about a misunderstanding on the part of the public because it did not give sufficient information to really tell anything. A man may be a very wealthy man and his income may be very small. He may be perfectly honest and his return will show that he is perfectly honest and square. On the other hand, he may not return nearly all of his property, and if nobody ever has an opportunity to find it out, that situation will never be corrected. That is what I am trying to cure by my amendment.

Mr. McLEAN. I am trying to compare the law as it is with the amendment offered by the Senator from Nebraska.

Mr. NORRIS. They can publish the whole return if they want, the same as if the Senator buys a piece of property from me and I give him a deed for it, every newspaper in the United States can publish the deed in full if they want to do so.

Mr. McLEAN. The representative of any inquisitive yellow journal can get not only——

Mr. NORRIS. Oh, yes, or religious journal. It does not make any difference whether it is a yellow journal or brown journal or white journal, anybody can publish it.

Mr. McLEAN. It is not the same.

Mr. NORRIS. Publicity is the cure for governmental evils.

Mr. McLEAN. Will it be any less obnoxious?

Mr. NORRIS. The yellow journal now can come along and say, "Mr. A has swindled the Government out of its just dues, because his tax return is only so much." Everybody knows that he has made such a return, but we do not know whether it is true or not. We may raise a cloud of doubt and suspicion all over the country that is absolutely unjustified. If the truth were known, if publicity were given so that the truth could be known, there would not be that kind of thing.

Mr. REED of Pennsylvania. Mr. President, will the Senator from Nebraska permit a question at that point?

Mr. NORRIS. I yield.

Mr. REED of Pennsylvania. Does the Senator from Nebraska realize that there will be filed this year between 6,500,000 and 7,000,000 tax returns; that publicity of all of them is utterly impossible; that only a selected few which the yellow journals want to flaunt will be mentioned in the papers; but as to them every detail of the taxpayers' private affairs will be disclosed under the Senator's amendment, such as the amount of their contributions to charity, the amount of their losses, the amount and the manner of all their gains, the amount of their taxes paid, and every debt that goes bad? Every item that is their business and nobody else's business will be published as to a few people, but the other 6,500,000 will go on just as much in secrecy as they did before the act of 1924.

Mr. NORRIS. No; they will not. The Senator speaks of publishing their contributions to charity, the money profits they have made, or the losses they have sustained. Most of the men who make large and numerous contributions to charity themselves publish it. They are glad to publish it.

Mr. WADSWORTH. Mr. President, will the Senator permit an interruption?

Mr. NORRIS. In just a moment. Whether they do or not, does not the man who has millions or billions and is contributing, we will say, in millions of dollars to charity, owe any duty to the Government of the United States? Is he going to say, "My business shall be secret? I will cover up whatever I please. The public be damned. I will give where I want to, but I will not contribute to my country." Has he no responsibility to the Government? Suppose it is an annoyance to him? If he is a patriotic citizen, he knows and must know that publicity is the cure for most governmental evils and ills, and he will even submit to an annoyance because it is his patriotic duty.

I now yield to the Senator from New York.

Mr. WADSWORTH. Has it ever occurred to the Senator from Nebraska in relation to the matter of giving to charity that a very large number of people are rather hesitant at making public their gifts or contributions to charitable undertakings greatly from a sense of modesty?

Mr. NORRIS. Yes; I think so. I agree with the Senator. I know men in this body who feel that way. In a very small way, very, very small, only in pennies as compared to some with big contributions to charity, I have not made any return of my own contributions, and yet it would not hurt me if everybody knew I had given $5 to the Presbyterian church of which my wife is a member or that I had contributed $100 to the Young Men's Christian Association of my home town. I have not been advertising it.

Mr. WADSWORTH. I have not said the Senator had been.

Mr. NORRIS. Even if it did affect my modesty a little, if it is my duty as a citizen to make public those contributions, I ought to do it. It would not hurt me to do it.

Mr. WADSWORTH. Will the Senator state what governmental purpose would be accomplished if everybody who gives to charity should publish the amount and the recipient of the charity?

Mr. NORRIS. We can provide in the law, if the Senator wants to do so, that charitable donations shall not be published or shall not be made known in the returns, but immediately when we did it we would open the door to fraud. The very fact that we require such contributions to be made public is because men will make contributions under the guise of charity, when as a matter of fact they do it to escape taxation.

Mr. COUZENS. Mr. President——

Mr. NORRIS. I yield to the Senator from Michigan.

Mr. COUZENS. Does not the Senator know there is no requirement that anyone shall return his charitable gifts in his tax returns unless he desires credit for them on his income tax?

Mr. WADSWORTH. Certainly; and for that matter there is no requirement under the law that the taxpayer shall deduct anything from his gross income.

Mr. COUZENS. Certainly not.

Mr. WADSWORTH. But the Government has established the policy, and I think a wise one, that where a man, whether he be rich or of merely moderate means, has given money or property to deserving undertakings of a charitable or educational nature, he should be encouraged to continue that policy, and we encourage him by allowing him the deduction which is authorized. Let us get it out of our minds that this is a practice indulged in by millionaires alone. There are very few of that class taken out of the 6,000,000, or the 2,000,000 who are going to pay taxes under the present bill. Most of the money given in charity is given in $10 or $15 or $50 lots by people of very modest means. Many of them are ashamed in a sense to confess publicly that they are not able to give more. Their means are so modest; they have such difficulty in getting along anyway, and yet they are so desirous of helping others who are less fortunate than they that they give what they can. Now it is proposed to make those people either refrain from deducting such contributions from their returns or else publish them, and if there be one thing that the Government could do to discourage the giving to charitable and educational institutions, it is compulsory publicity of that kind.

Mr. NORRIS. Oh, Mr. President, compulsory publicity will bring about a whole lot of contributions that are not being made now. There will be many more who want the public to know what they contribute to charity than there are those who do not want to have it known.

Mr. WADSWORTH. With that conclusion I sharply disagree.

Mr. NORRIS. It will not help anybody either way.

Mr. WADSWORTH. I think the average man does not want his gifts to charity known.

Mr. COUZENS and Mr. CARAWAY addressed the Chair.

Mr. NORRIS. I yield first to the Senator from Michigan [Mr. COUZENS].

Mr. COUZENS. I think here are two members of the Finance Committee who are in violent disagreement. The Senator from New York [Mr. WADSWORTH] points out that there will be an exposé of all these small and minor gifts if this amendment shall be adopted, while the Senator from Pennsylvania [Mr. REED] suggests that only the yellow press will pillory the rich whose tax returns shall be published.

Mr. REED of Pennsylvania. Mr. President, the Senator from Michigan did not hear what I said. The Senator from Nebraska was talking about publicity. I told him my view as to the kind of publicity which would be obtained. The other kind of use that will be made of the opening of tax returns will not be publicity, but it will lead to an even greater abuse. I think the Senator did not hear me when I said that. The collector in my district says:

This publicity clause has done no good whatever, but, on the other hand, has become a source of information used extensively by solicitors

for questionable transactions, collection agencies, mail-order concerns, bogus charities, and competitors in business.

That is not publicity, but it is a rank abuse of the accessibility to tax returns. I think the Senator from New York and I are in exact agreement.

Mr. COUZENS. But the Senator talks about the old law, and the statement he read from the collector is based on the experiences of the 1924 act.

Mr. REED of Pennsylvania. Exactly; and the provision you are proposing to put in is ten times worse, because it shows the details, while the present law only shows the single figure as to the tax paid.

Mr. COUZENS. Yes; but a newspaper which wants to go into any details will have to make a request for the papers in the case of the individual whose return it wants, and then it has got to go through all of these volumes of returns and find out what it seeks. I say that is much more difficult than to do what they have been doing under the 1924 act.

Mr. WADSWORTH. Mr. President, will the Senator from Nebraska yield to me for a moment?

Mr. NORRIS. Yes.

Mr. WADSWORTH. May I ask either Senator, or both, does either or do both of them doubt for one moment that once a provision such as this is placed on the statute books information concerns will be organized which will advertise that they will get any information as to tax returns at so much per?

Mr. COUZENS. How about the income-tax returns in the Senator's State of New York? Are they open to inspection?

Mr. WADSWORTH. Of course not.

Mr. COUZENS. They are not open?

Mr. WADSWORTH. No.

Mr. COUZENS. I submit that anyone there can make a record of them. I can be an employee of the Internal Revenue Bureau now and make a complete list of all returns, and I can leave the department, and can then publish that list and sell it.

Mr. WADSWORTH. Then, the Senator would be committing a crime.

Mr. COUZENS. Yes; if I got caught; but they are not getting caught, because nobody wants them to get caught.

Mr. GEORGE. Mr. President, let me ask the Senator from Michigan if that is not what he has been complaining about in part, and if he does not think that he will create a whole army of men here in Washington who will spread this information broadcast over the country and encourage litigation between citizens?

Mr. COUZENS. I think not, because if the records are public you will not have to rely upon the specialists who have inside information.

Mr. NORRIS. Mr. President, if I may now, having the floor, be permitted to say a word, I should like to say, in reference to the suggestion made by the Senator from New York, that I presume the Senator from New York voted for the conference report on the law that is now on the statute books?

Mr. WADSWORTH. Yes. I did not like that feature of it, but I did not want to vote against the whole bill on that account alone.

Mr. NORRIS. I did not, either. I voted against it on account of this feature. I did not think it amounted to much. I think that is the answer to the letter which the Senator from Pennsylvania has read; it does not give sufficient information to be of any value. I myself would just as lief it should be covered up entirely as to give information that would only be misleading; that would often lead people to mistrust, when an honest recital of the truth would leave no ground for mistrust or suspicion.

In reference to the idea that there is going to be an organization formed to secure this information, let me say that a man would be foolish to pay to a corporation money in order to get something that he could get for himself. I do not care, however, whether that will happen or not, although I think there is no danger of it occurring. I suppose now that in the States there are many more millions tax returns filed with the local assessors throughout the United States than there are Federal tax returns; and I never heard of anybody advertising that a corporation had been formed so that they could show how much property this man or that man had, because, as a matter of fact, that information is already public and a man does not have to pay to get it. He can go to the local tax assessor and get it himself. In the beginning, there might be some curious people who would want information as to tax returns, but it would last only for a few days, and it would not be any more common than it is now in the various county seats of the United States where people who have the curiosity can go and find out what property is owned by this man or that man according to his return to the assessor. If a local return is made that on its face is open to suspicion, that shows that it is erroneous on its face, that may result in a complaint and a rectification of it and the payment of an additional tax and, perhaps, a penalty under some other law.

Mr. WADSWORTH. Mr. President, will the Senator yield for a question there for information?

Mr. NORRIS. In just a moment I shall yield. Here, however, we have a proposition to make the returns to the Federal Government public, putting them in the same category as the returns to the local assessors and making them public documents. The benefit of such a provision, it seems to me, will not come by reason of the complaints which may follow, but will come from the care which dishonest men will exercise in making their returns, because they will know that they will be exposed if they make false returns. If you put a policeman on the corner, the store is not robbed; there is no robbery. It may be said, "Well, there has been no robbery, so what is the use of a policeman?" But if you take the policeman away the store is robbed.

Mr. WADSWORTH. Yes; but, Mr. President, we do not open the store wide up for strangers to walk through all night.

Mr. NORRIS. But we do not cover it up with a shield of secrecy, either; we do not cover it up with a blanket and not let anybody see it; it is public; anyone can go there and see the store. I am not talking about the business of the man inside; but anyone can look through the window; he can see that the proprietor is doing business and, perhaps, has a thriving business; but we do not cover the store up; we do not put a guard about it and say, "You can not go within 40 feet of this store." Take the policeman away, however, and the store is not safe.

Mr. SMOOT. Mr. President——

Mr. NORRIS. I yield.

Mr. SMOOT. I am in receipt of a letter from No. 246 Sumner Street, Boston, Mass., dated January 27, 1926, which reads as follows:

DEAR SIR: The unusual opportunity to secure lists of people who have paid an income tax of $100 and over means that you can obtain from us excellent lists of people with money.

The States indicated below are those for which we have names compiled from income-tax records.

Won't you check the territory which interests you and return this letter to me?

———.

California, District of Columbia, Illinois, Iowa, Kentucky, Maine, Maryland, Massachusetts, Michigan, Minnesota, Missouri, New York, Ohio, Oregon, Pennsylvania, Rhode Island, Texas, Washington.

Mr. NORRIS. That corporation is headed for the rocks, for anyone with any intelligence will not contribute anything to it when he can get the information without paying anything, if that is what the concern proposes to do.

Mr. SMOOT. Oh, no.

Mr. NORRIS. I do not know but that is a corporation organized as a part of this propaganda that is going over the country; I do not know as to that; but certainly it will not be a profitable business.

Mr. SHIPSTEAD. Mr. President, anyone can get the same information from Bradstreet, can he not?

Mr. NORRIS. Oh, yes.

Mr. SMOOT. Oh, no.

Mr. WADSWORTH. Oh, no.

Mr. NORRIS. The same information can be obtained, because anyone can go into the tax assessor's office and ask for it or look at the list if it is posted up on the wall.

Mr. WADSWORTH. The Senator must realize that there are a good many people who can not afford to travel, and that it is easier to drop a letter to this concern and get the information for a 2-cent stamp plus a little commission.

Mr. NORRIS. Well, let them get it.

Mr. WADSWORTH. That is the purpose for which the concern is organized.

Mr. COUZENS. There are 248,000 taxpayers in the city of Detroit, according to my recollection, and one can go and get a list of those 248,000 taxpayers and the amount of taxes paid by them any time he likes.

Mr. WADSWORTH. I, for instance, have not the time to do that.

Mr. NORRIS. Do not do it, then.

Mr. WADSWORTH. I would hire somebody else to do it for me if I cared enough about it.

Mr. NORRIS. This proposed law does not compel one to do anything; no one is going to be required under the law to do it.

You can close your ears, your eyes, and your mouth if you want to do it and be silent. There is not anything in the provision to compel the Senator from New York or anybody else to go to all that trouble to find out this information.

Mr. WADSWORTH. Of course, that is why a concern of that kind is being organized—to get the information for those who desire it.

Mr. COUZENS. Why do they not do that in the city of Boston or New York? Anyone can get a list of the taxpayers there.

Mr. WADSWORTH. I suppose they are a little more ambitious; they need to extend their operations over the country so as to get more money out of the "suckers."

Mr. COUZENS. They can do it as well in the city of New York, where there are plenty of them.

Mr. WADSWORTH. They probably will if you will give them time.

Mr. COUZENS. They can make a list for the city of New York as to general taxes.

Mr. WADSWORTH. I am not speaking about general taxes; I am speaking about returns which show how a man makes his living, about which so many people are curious.

Mr. COUZENS. I point out to the Senator that if any concern such as the one referred to wants to find out how many people in the city of New York pay taxes and how much they pay it can go to the records of the city of New York and get the same kind of a list that it would make from the records of the Bureau of Internal Revenue under the amendment of the Senator from Nebraska.

Mr. NORRIS. Mr. President——

Mr. COUZENS. It can do the same thing in New York or in Detroit. It can go to Detroit and take off the names of 248,000 taxpayers, list them and the amount of taxes they pay, and make just as desirable a list as it would be possible to make under the amendment from the records of the Bureau of Internal Revenue.

Mr. NORRIS. Mr. President, with the amendment in the proposed law that is now pending the partnership, or individual, or corporation whose letter has been read here by the Senator from Utah will be required to show in their return—they will do that anyway—just how much they made and how many "suckers" they bled.

Mr. SMOOT. No.

Mr. NORRIS. Yes; they will.

Mr. WADSWORTH. After they have done it.

Mr. NORRIS. They will not, of course, make a return before they have done anything. We must not expect an impossibility; but, after the return shall be filed, it will be public, and when it is public it will be disclosed that they have been in an unprofitable business. I dare say there will not be one such institution in any State that will make enough to put in any income-tax return.

Mr. WADSWORTH. If the business is unprofitable, of course, no returns will be made.

Mr. COUZENS. I differ with the Senator. They will make a return whether they make any profit or not.

Mr. WADSWORTH. Well, they will pay no taxes then.

Mr. NORRIS. Mr. President, there is no just or logical reason why income-tax returns should not be considered public documents and be subject to examination under the same rules and regulations as all other public documents generally. No one has been able to point out a single instance where the publicity of such returns would bring about an injury, either to the public or to the taxpayer.

Taxation is always burdensome. I would be glad if it were possible to relieve everybody from the payment of taxes, but taxation is one of the burdens of civilization. Recently this burden has been greatly increased by the enormous debt, which we contracted during the war. It is always difficult to provide for a fair and just system of taxation. To properly distribute its burdens is one of the greatest difficulties of honest legislation. It is sometimes impossible to tell in advance, with any degree of accuracy, just exactly how any particular system will work out; and in order to profit by legislative errors and mistakes that always creep into legislation no matter how carefully it is considered, it is absolutely necessary that the system, in all its details and all its ramifications, should be made public.

PUBLICITY WILL INCREASE THE REVENUE

That publicity of income-tax returns will increase the revenue derived from the law is conceded by all close students of the questions involved. The dishonest taxpayer, knowing that his return is going to be kept secret and that no one except a few employees in the Bureau of Internal Revenue will have any opportunity to examine it, has every inducement in the world to cheat the Government out of taxes that he justly and honestly owes. The dishonest man does not hesitate to make a false return, and can only be kept in the honest class by fear of punishment; and if he knows his tax return is going to be locked up in the secret vaults of the Treasury where no one can have access to it, and that, therefore, there is but little danger of his dishonesty being discovered, he will not hesitate to withhold important items of his income in order that the amount of taxes he is required to pay shall be lessened. To a great extent it is left with him entirely as to the amount of tax he shall pay. Secrecy to him means the saving of vast sums of money. To a great extent he is the judge and the jury trying his own case. To him secrecy of income-tax returns is a source of much unlawful profit, and affords him a haven of financial rest where even his questionable conscience may not be disturbed.

The amount of money that the Government loses on account of this secret provision of the law can not be definitely told. The only way to find out the definite amount of the loss would be to throw off the bond of secrecy and expose these millions of returns to public scrutiny. The loss, however, is conceded to be great. It will reach hundreds of millions every year, and during the time that we have had such a law upon the statute books there is no doubt whatever but that the Government of the United States has lost billions of dollars to which it was honestly and legally entitled.

On the other hand, the honest man makes a fair return and pays to the Government the tax which he honestly owes. His burdens, however, are increased to a very great extent by the loss which the Government sustains from the dishonest taxpayer. He must not only pay the tax that he justly owes but he must pay his proportionate share of the tax which his dishonest competitor neglects to pay. Such a law, therefore, discriminates against the honest man and in favor of the dishonest man. It lays its heavy hand upon the patriotic man who is willing to bear his share of the burdens of government and compels him to pay an additional tax properly owed by the dishonest taxpayer and which secrecy of income-tax returns permits him to avoid.

One of the greatest sins of government is discrimination against any particular class of its citizens, and when that discrimination is against the honest citizen and in favor of the dishonest one it becomes not only a burden but a governmental crime. If the Government, by its own laws, holds out advantages in favor of dishonesty, levying its heaviest burdens upon those who are honest, how can it expect always to have a patriotic citizenship ready to go to the relief of the country in times of stress? How can we expect permanently to retain patriotic, united citizenship, if, by our own laws, we discriminate in favor of dishonesty?

PUBLICITY OF INCOME-TAX RETURNS NECESSARY FOR LEGISLATIVE PURPOSES

It is extremely difficult to draft a revenue measure. It will always be found that there are loopholes through which men and corporations avoid the payment of their just proportion of the tax. It is a matter of common knowledge that the very wealthy corporations employ the keenest of attorneys for the purpose of ascertaining means and methods by which they can avoid the payment of a large proportion of their taxes.

No revenue law has ever been passed that was free from defects by which many taxpayers succeeded in depriving the Government of large amounts of honest revenue. It has always been found necessary in subsequent Congresses to amend the law with a view of closing up these loopholes and defects. In trying to remedy any such defects Congress is brought face to face with the fact that on account of the secrecy of income-tax returns it is unable to ascertain just what the defects are, and therefore is at a loss to know how to remedy the situation.

Publicity of income-tax returns would at once remedy this situation. It would place before the legislative body the exact methods and manner by which the intent of the law had been avoided. The income-tax returns would themselves show just how the law had been circumvented, and the remedy would be a comparatively easy matter.

Since the adoption of the income-tax amendment to the Constitution we have passed various revenue measures. We have never yet succeeded in enacting such a law that did not have many loopholes by which wealthy taxpayers were enabled to avoid the payment of their just share of revenue. We have known all the time we were not getting the money we ought to get, and that in many ways the spirit of the law was being violated, but we have not known with any degree of accuracy just how all these violations have taken place. Congress as well as the country has been in the dark to a great extent, and they have been in the dark simply and solely because of the secrecy that has surrounded the whole transaction.

The remedy for it all is publicity. When the method of avoiding existing law becomes known Congress can easily pass the necessary remedial legislation; but until publicity is had and these defects are known, Congress in trying to remedy the problem is simply groping in the dark and to a great extent guessing.

Secrecy deprives the honest man of a square deal. It increases the tax burdens of the honest man. It relieved the dishonest taxpayer from his just share of governmental burdens. It deprives the Government of hundreds of millions of dollars in revenue, and in addition to all this it surrounds Congress with a shroud of ignorance by which it is deprived of the knowledge necessary to pass remedial legislation. Publicity of income-tax returns will remedy it all.

PUBLICITY OF TAX RETURNS WILL INJURE NO HONEST TAXPAYER

It is impossible to conceive how any honest taxpayer would be injured by publicity. Every State in the Union provides for a system of taxation through the assessment of property by the public assessor. The returns of all these assessors are public documents, subject to examination by the public generally. No one has ever complained that this has brought any injury to any honest taxpayer. No one has even proposed that the tax returns of the local assessors should be locked up in secret. The merchant can go to the courthouse and get the tax returns of his competitor across the street. The farmer can ascertain without any difficulty all items of property listed by his neighbors. The return of the banker is likewise subject to public scrutiny, and no one has ever for a moment even claimed that such return might result in a run on the bank.

Everywhere all over the United States the assessment of property, both personal and real, is made in public, and the returns are public documents. From the date of the passage of the national bank act, all national banks have been required to make public returns showing not only their property but their profits as well. Similar laws are required from all the States in the Union on the part of State banking institutions; and it is conceded by everybody that such publicity tends to the financial strength of every honest banking institution.

It is sometimes claimed that publicity of income-tax returns would injure the credit of the individual or the corporation making the return. It is difficult to conceive how this could occur, except in a case where such credit ought to be, as a matter of good business, properly curtailed. If the return of the taxpayer shows that he is not entitled to credit and that his business is in a failing condition, then it would be to the interest of the public if honest investors were able to secure this information, so they would not make additional loans to an institution that was in a failing condition; and while in such a case it might prevent a corporation from getting additional money on account of the unsatisfactory condition of its business, yet it would save the honest investor in many instances from loaning to an institution not worthy of credit. Publicity might prevent some taxpayers from borrowing additional money, but it would be only in cases where they ought to be prevented from borrowing, and it would protect the honest investor from making such loans.

PUBLICITY WOULD PROTECT THE HONEST TAXPAYER IN GETTING REFUNDS WHERE AN HONEST MISTAKE HAS OCCURRED

It has no doubt very often happened that in making tax returns mistakes have occurred to the disadvantage of the taxpayer. The law ought to protect the taxpayer as well as the Government; and if a man has overpaid through some mistake or misunderstanding of the law, he ought to be able to have the excess refunded without the necessity of employing expensive attorneys to secure relief. The very large taxpayers are not the ones, as a rule, who make such mistakes. They employ experts in making their returns; but if a mistake does occur and the millionaire taxpayer pays more than he is required to pay under the law, he is able to secure a refund of the excess because his experts have knowledge of the error. The smaller taxpayer, as a rule, possesses no such knowledge, and if he has paid too much he never finds it out.

Mr. SIMMONS. Mr. President——

Mr. NORRIS. I yield to the Senator from North Carolina.

Mr. SIMMONS. In connection with this interesting portion of the Senator's argument, I should like to ask his opinion about a suggestion that has been made with reference to claims for refunds that might be made against the Government as a result of throwing open these tax returns to the examination of any person who might desire, for profit or from motives of curiosity, to examine them.

The Senator knows that there is a class of lawyers who specialize in tax cases, a great many of them in the Capital, and a great many of them who do not live in the Capital, but who nevertheless specialize in tax practice before the Treasury Department and the Board of Tax Appeals. Might not that class of lawyers—some of them, not all of them, it is asked—be disposed to capitalize this provision and take advantage of this opportunity to examine the tax returns of select taxpayers, with a view of seeing if they could not find some ground on which to hang a claim on the part of the taxpayer for a refund?

Having examined a return, such a lawyer finds that there is opportunity or pretext for such a contention. He puts himself in communication with the taxpayer and suggests to him that if the taxpayer desires his services he thinks he can help him get a refund from the Government. That, it is suggested, might become a very common practice, and it might lead to endless litigation which otherwise would never take place.

Mr. NORRIS. All right; let us suppose that it does.

Mr. SIMMONS. Let me ask the Senator further——

Mr. NORRIS. The Senator asks a question, and I should like to answer it. He can make a speech on it afterwards.

Mr. SIMMONS. I am not going to make a speech.

Mr. NORRIS. Very well.

Mr. SIMMONS. The Senator will remember that years ago, when the returns with reference to pensions were open in the Pension Bureau, it was claimed that attorneys were abusing the privilege and were using the information they gained by reason of this permission to examine the returns to stir up trouble with reference to the functions of the Pension Bureau; and I think the Government had to resort to some drastic means to stop that. I desire to ask the Senator if he thinks a similar situation might develop in connection with the practice of law here in these tax cases.

Mr. NORRIS. I shall answer that in two ways. First, I say, suppose it does? The Senator is afraid that eventually, if all these returns are made public, some lawyer will look at them and find that Mr. A has paid too much taxes under the law, and he will write to Mr. A and say, "You have paid $100 too much. I can get it back for you." Suppose that does happen, and suppose the Government pays it back. Why should it not pay it back? If Mr. A had been assessed too much and some lawyer found it out and got his money back, why was that not all right?

Mr. COUZENS. Mr. President, will the Senator yield?

Mr. NORRIS. In just a moment. Let me answer further. I am not afraid of that. If anybody has paid too much taxes, he ought to have it back; and if any particular lawyer finds it out and charges a fee for getting it back, the taxpayer ought to get it back just the same, though I would rather have him get it back without having to pay a fee. If the returns were public, and if it were discovered that in a certain case Mr. A got back $100 because of a certain kind of error he had made, some other man who had made the same kind of an error would get his money back without paying any fee. He would not get it back if Mr. A's case were not made public.

What happens now, when these returns are secret? All the time men in secret, behind the doors of the Internal Revenue Bureau, get information about Mr. A and Mr. B, all down the alphabet a dozen times. Some employee in the bureau finds that out and resigns. Perhaps he has helped to bring about a ruling that will be favorable to a certain class. He has secret information that is not possessed by other attorneys, and he is in a position, therefore, to hold up the taxpayers because he has that secret information. He is in a position to say, "I will take your case if you will pay me a 50 per cent contingent fee." He knows what exists behind the closed doors; attorneys generally do not. So that the evil now is a thousand times greater wherever a refund takes place, and there are thousands of instances undoubtedly where there ought to be a refund where the honest taxpayer never finds it out.

A few days ago the Senator from Virginia told us of an incident that happened in the State of Virginia. Did Senators hear the eloquent Senator from Virginia state what is taking place now? His constituent would not have been held up to that degree if there had been publicity. But a secret knowledge obtained by men who are in the employ of the Government and who resign and go out enables them to hold up the taxpayers in the instances where they believe too large a tax has been paid.

Now I yield to the Senator from Michigan.

Mr. SIMMONS. Mr. President, if the Senator will pardon me——

Mr. NORRIS. First I yield to the Senator from Michigan.

Mr. COUZENS. I think the Senator from Nebraska in part covered what I was going to draw to his attention, that under the suggestion made by the Senator from North Carolina that might be an open matter, but under the present system it is a monopoly. I object to monopolies.

Mr. SIMMONS. Mr. President, I have no doubt in the world that the abuses to which the Senator from Michigan

called attention the other day have gone very far. These men in the department have seen the chance of making so much profit from the utilization of the information they gained in connection with their work in the department that they have been actually induced to resign their places and to go out and capitalize their information.

Mr. COUZENS. That is true.

Mr. NORRIS. That would not happen if we had publicity.

Mr. SIMMONS. If these records were open to every attorney or their tax experts, and they were permitted to capitalize this information, which would no longer be secret, I have an apprehension that the Treasury Department might be flooded with lawyers examining returns to see if they could not work up a case.

Mr. NORRIS. Suppose it is. If the Treasury has the taxpayers' money unlawfully, what objection can there be to some one examining the records and seeing whether they have made a mistake? That is publicity.

Mr. SIMMONS. There is no objection, if a mistake has been made; but I do not think it is wise public policy to invite men to go into the department, offering them a high inducement to work up cases, and then, through the taxpayer, bring about litigation.

Mr. NORRIS. There is no such inducement.

Mr. SIMMONS. I fear the Treasury Department might be flooded with cases that never would be opened up but for that fact.

Mr. NORRIS. There is no such inducement in this amendment. There is no such reward offered by this amendment. It takes away the monopoly that exists now in a few who get the knowledge in secret. This amendment gives no monopoly.

Mr. SIMMONS. The information which some experts of the department have obtained is capitalized and has become a source of profitable practice to them. If these records are opened to every lawyer who practices before the department, I have a suspicion, I have a conviction, that it will be utilized and capitalized tenfold as much as now.

Mr. COUZENS. Mr. President, will the Senator from Nebraska yield?

Mr. NORRIS. I yield.

Mr. COUZENS. In reply to the Senator from North Carolina, it is not the information contained in the returns themselves that makes this inside information valuable. The mere returns of the taxpayer contain nothing that offers a suggestion to the attorney or the taxpayer, but it is the fact that only 15 per cent of the precedents, the rulings, used for determining these cases have been available. It does not matter whether you go and look at the income return——

Mr. SIMMONS. The Senator has not caught my point at all. I say that in the department there may be a germ of information which might lead to litigation, and these gentlemen who are seeking to increase their practice and to create new practice will go and hunt out those defects with a view ultimately of making profit out of it.

Mr. COUZENS. The Senator thinks I have not caught his point——

Mr. SIMMONS. It may be that I was mistaken.

Mr. COUZENS. I have his point exactly, but I think the Senator is confused. There is nothing in the return that a lawyer can find that will enable him to manufacture a case, because if all the rules and regulations are published there are no precedents, there is no information from which he can manufacture a case that is not already in the rules and regulations that are used to determine the taxes.

Mr. GLASS. If there is nothing of value in the return, why make the return public and print it in the newspapers?

Mr. COUZENS. That is outside of the question.

Mr. GLASS. It is not outside of the question at all. That is the real question we have here.

Mr. CARAWAY. And the only question.

Mr. NORRIS. If the Senator's objection is a good one, the thing can be reversed. If there is nothing in it, if it does not make any difference whether it is public or secret, we are all fooling away our time.

Let us get the point of the Senator from North Carolina. He said that if we make these returns public a lot of lawyers will look over the returns and find out where the taxpayers have been paying too much money unlawfully, either by mistake or otherwise, and they will write to the taxpayers and tell them about it, and it will become a great business. It will not become a great business unless the taxpayers have been unlawfully assessed, and if they have been unlawfully assessed, let it be a great business or any other kind of business, no excuse can be made on the part of the Government for refusing to pay back money to a man which has been paid unlawfully and through mistake in the way of taxation. It does not make any difference whether there are a thousand of them or a million of them; whenever there is such a case the man ought to have his remedy, and he ought to have his money back. Of course, there will not be millions of such cases. The Senator has an exaggerated idea of that.

Mr. SIMMONS. I did not say there would be millions. I said there would be a flood of them.

Mr. NORRIS. The Senator said it would result in a big business, in a lot of money being taken from the Government. If the Government has obtained money to which it is not entitled, it ought to pay it back. We ought to be just as anxious to refund the money unlawfully collected from a taxpayer as we are to have the man who has not paid enough pay what he ought under the law.

Publicity of income-tax returns and of the refunds of excess taxes that are made would bring relief to those who have overpaid their taxes and have not discovered it.

Again, the honest man would benefit by publicity, and publicity is about the only remedy that would bring him relief.

Publicity, therefore, would not only correct the evil and enable the Government to get money improperly withheld from it, but it would bring relief to the honest taxpayer who has overpaid on account of ignorance or misunderstanding of the law.

Secrecy in governmental affairs brings corruption. All governmental business should be transacted in public. This is one of the fundamental cornerstones of every free government. Secrecy in governmental affairs will ultimately and surely bring corruption. If we should extend the secrecy now prevailing in our Internal Revenue Bureau to all branches of the Government, it would ultimately bring about the destruction of the Government itself.

No free government can long endure when its business is transacted behind closed doors and important and fundamental matters of government concealed from citizenship. Transaction of governmental affairs in secret may at the beginning be honest and honorable, and the public officers may in this secret way start out on a honest basis, but as time goes on the public official himself who is doing his official work in secret and concealing his official acts from the eyes of the public will eventually become corrupt. Dishonest men will seek such positions for the profit there is in the office rather than for the salary that is paid.

The cure for such governmental evils is publicity. One of the most important functions of government is the levying of taxes. No government can exist without them. Every citizen in one way or another contributes of his financial means to the common governmental funds. If this most important function of government is to be transacted in secret, and the official acts of those in office concealed from the public, then the burdens of patriotic citizens will be necessarily increased, respect for government and for law will disappear, and ruin and desolation will eventually take the place of honest government.

For more than 10 years we have had secrecy in the Bureau of Internal Revenue. During that time more than 60,000,000 returns have been made. That bureau has handled over $38,000,000,000 of public money. It has over 6,000 employees, all of them transacting public business in secret. For more than 10 years, for about 13 years, in fact, this has been going on, and the first time the public ever had an inkling of what was going on was when the so-called Couzens committee started on its investigation. It is not necessary to charge the officials with being corrupt. It is not necessary to say that the head of this bureau or that department is dishonest. The fact that they are doing a secret business, where they have as many employees as are in that bureau, means that favoritism will result. Let us admit that all the superiors are honest, doing their duty. It is impossible for them to know what is going on in detail throughout that great bureau, and when the public is kept in ignorance of it, how can you expect a fair and an honest result to come from such secrecy carried on to the very great extent that it is necessary that the business should be carried on?

Would any man want to extend the secrecy that characterizes the transaction of the financial affairs of our Government to all of the departments?

Should we make the Department of Labor a secret institution? Should we make the Department of Agriculture secret? Would any citizen stand for a moment for secrecy of legislative proceedings here where we are doing public business? And yet, legislating for the people, we are deprived of knowledge of methods to remedy any defect in our laws as far as

our internal revenue is concerned, as far as the collection of billions of dollars is concerned, because of the cloak of secrecy that surrounds that institution.

Mr. President, I am going to read one or two opinions of men who have stood high in the councils of the Government and who have stood high even in the councils of the world. I am going to bring to the witness stand one man at least whom some Senators, who are afraid we are going to ruin our Government if we let the sunlight of publicity shine in, will admit is a strong witness. I am going to bring one witness whose opinion at least Senators must respect even if they have no respect for my opinion or the opinion of those who believe as I do.

First, I want to read an article written by Horace Greeley. In an editorial in the New York Tribune May 24, 1866, he wrote:

The Evening Post has a Washington dispatch which says: "The Committee on Ways and Means have agreed to an amendment of the tax bill providing that lists of incomes shall not be published nor furnished for publication, but they shall be open to private inspection at the office of the collector."

We would like to believe this untrue. We believe that publicity given to the returns of income submitted by individuals to tax gatherers has already put millions of dollars into the Treasury and gone far toward equalizing the payments of the income tax by rogues with that of honest men and saved thousands from being imposed upon and swindled by false pretenses of solvency and wealth, made on purpose to incur debts preordained never to be paid. The knaves who sought credit on assumption of wealth belied by their returns of incomes, of course, hate publicity given to those returns; but why should an honest man seek to pass for any more (or less) than he is worth?

* * * * * * *

We learn that the publishing of the list of income-tax payers in this city, against which there has been so much absurd outcry, is likely to prove beneficial to the revenue as well as to the consciences of some of our "best citizens." Already, as we understand, considerable sums have been returned to the assessors and paid to the collectors by persons who have discovered "errors" in their original returns of incomes since the publication of the lists referred to, and assessors have received valuable information in reference to the incomes of some gentlemen who should, but have not yet, amended their returns.

Mr. President, let me call an ex-President of the United States as the next witness. If he were in the White House to-day, instead of President Coolidge, there would be no doubt of the adoption of the amendment. There would be no doubt that the influence of his administration would be used in favor of the enactment of a law which would provide for publicity, and those who follow sometimes blindly, I think, but always lawfully, I concede, the advice of the President, who is supposed to be the leader of their party, would stumble over each other to support the amendment instead of trying various methods of finding fault with it. Listen to Benjamin Harrison, former President of the United States and one of the great minds of his day. He made a speech before the Union League Club of Chicago on February 22, 1898, and the subject of his address was "The obligations of wealth." He said:

We have too much treated the matter of a man's tax return as a personal matter. We have put his transactions with the State on much the same level with his transactions with his banker, but that is not the true basis. Each citizen has a personal interest, a pecuniary interest, in the tax returns of his neighbor. We are members of a greater partnership, and it is the right of each to know what every other member is contributing to the partnership and what he is taking from it.

He said again:

The great bulk of our people are lovers of justice. They do not believe that poverty is a virtue or property a crime. They believe in an equality of opportunity and not of dollars. But there must be no handicapping of the dull brother and no chicanery or fraud or shirking. If our plan of taxation includes notes and bonds and stocks, they must be listed. The plea of business privacy has been driven too hard. If for mere statistical purposes we may ask the head of the family whether there are any idiots in his household and enforce an answer by court process, we may surely, for revenue purposes, require a detailed list of his securities.

I wish Senators would remember that paragraph. We provide by law that the head of the family must give the information he has mentioned. He must tell for the purpose of statistical information required by the Government even whether any of his children are idiots, whether they are born out of lawful wedlock, whether they have color blood in their veins. He must answer all those questions. He is forced to answer them. Nobody complains about that. We say that is right, because we are getting statistical information.

But when we come to inquire, "What is your income; how much did you make in Wall Street; how much have you made on bonds; how much have you made on this or that transaction?" then we say, "Oh, that is private information, and we can not get it." The dollars are much more important than the welfare of the human race. "You care more to keep private the ill-gotten gains you are making than you do to disclose the innermost secrets that exist in the family relations." My God, Mr. President, it seems to me that can not be possible in a free government. When it comes to the dollar then a man can close his mouth, but we can require him to say whether he is legally married to the wife with whom he is living; we can require him to tell whether his children were born before marriage or afterwards; we can delve into anything of that sort simply for the sake of statistics, to give information, to give publicity. But when we ask how he made this dollar, then he can draw a shroud of secrecy about himself and say, "That is none of the Government's business." Do not make a man tell about his contributions. He may not want to do it. Do not make him disclose the source of the dollars he has made during the war, even though we do compel him to tell everything socially or morally that might disgrace him in the eyes of the public; but save him from divulging the source of his wealth. Yes; those who want this would go to church on the Sabbath Day; they would sing halleluiah to the great King; they would make contributions liberally as the box was passed; they would wind up the service by hailing the great King halleluiah; but if the lowly Nazarene on Monday morning went into the place of business and asked to look at the books to see how this money was made, they would pick Him up by the back of the neck and kick Him out into the dirty alley. Money is sacred even beyond human life.

Let me read further from what Benjamin Harrison said on that occasion:

The men who have wealth must not hide it from the taxgatherer and flaunt it on the streets. Such things breed a great discontent.

All other men are hurt. They bear a disproportionate burden. A strong soldier will carry the knapsack of a crippled comrade, but he will not permit a robust shirk to add so much as his tin cup to the burden.

There is a feeling that some men are handicapped; that the race is sold; that the old and much-vaunted equality of opportunity and of right has been submerged. More bitter and threatening things are being said and writttn against accumulated property and corporate power than ever before. It is said that, more and more, small men, small stores, and small factories are being thrown upon the shore of financial drift; that the pursuit of cheapness has reached a stage where only enormous combinations of capital, doing an enormous business, are sure of returns.

It is a part of our individual covenant as citizens with the State that we will, honestly and fully, in the rate of proportion fixed from time to time by law, contribute our just share to all public expenses. A full and conscientious discharge of that duty by the citizen is one of the tests of good citizenship. To evade that duty is a moral delinquency, an unpatriotic act. I want to emphasize, if I can, the thought that the preservation of this principle of a proportionate contribution, according to the true value of what each man has, to the public expenditures is essential to the maintenance of our free institutions and of peace and good order in our communities.

The wealth of the country has attempted to discredit the law making income-tax returns public. It is argued that such publicity is annoying and embarrassing to the taxpayer. I grant that it is, but making public the amount of assessment and taxes on real and personal property also is annoying. It is embarrassing to be called into court as a witness and compelled to bring your books and papers and give testimony in public in regard to your business, and many times your family matters, and have the newspapers publish it, yet people are compelled to do this frequently. It is annoying to a bank to have the bank examiner look over every book and paper in the bank. It is embarrassing for a bank to publish its statement when it may show a loss of deposits and that it is losing ground in comparison with its competitor in the same town, yet the public good requires it, and since such examinations and publicity have been given, there have been fewer bank failures, so that no one would advocate abandoning such examinations and publishing the bank's statement.

Mr. President, as I said a while ago, there has been, so far as I know, no objection anywhere in the United States to the publicity of tax returns which exists everywhere under State law. The only reason why this clamor against making income-tax returns public exists is because a few of the very large tax-

payers, those who have immense fortunes, do not want them made public. No adequate excuse so far, in my judgment, has been offered why there should not be publicity. I have not heard anyone claim that publicity would injure him financially; I have not heard anyone claim that it would injure him morally. We have had one Senator state to-day that it is not right because men's contributions to charity would be made public, and some men do not want such contributions made public. Concede it; but there are some other men, good men, who do not want such contributions made public. I myself have a great abhorrence to paying any tax; I do not like to pay taxes; it is a burden on me. Why should I be required to pay taxes? I do not wish to do so. Why should publicity be given if a man does not desire it shall be given?

It has also been said that it will deter men from making contributions to charity. On the other hand, I suppose there are some men not in as good a class, I concede, as those conscientious individuals who do not want to give publicity to their charitable acts, but men who like to have their contributions advertised, who would probably make more charitable contributions if those contributions were made public than they otherwise would. Are we going to handicap the law because of such silly excuses as that? Are we going to have the billions and billions of public funds handled behind closed doors, without even Congress having any knowledge of the method in which they are handled? Are we going to conceal from view, even of the legislative body of the country, the thousands of income-tax returns, making up the great bulk of the income of the Government, simply because of what to me seem such almost foolish objections as that somebody does not like it; somebody does not wish to have his profits known? As Benjamin Harrison once said, It may be embarrassing to some, but it is not a serious matter.

I have been getting letters from all over the United States inspired by this great propaganda opposing publicity of income-tax returns. I remember getting one letter from a lawyer in one of the great cities of the United States making an extended argument against publicity of income-tax returns on the ground, and the sole and only ground, that it would enable his competitors, the other lawyers in the city where he lived, to know how much income he made. He said, "They will find out I am making a great deal more money than they think I am making; they will realize I am charging bigger fees than they think I am charging." That was annoying to that man; he did not want that information to be given to the other lawyers of the town. But is that a serious matter? Shall we permit a bureau of the Government, where nearly all the money of the taxpayers in the United States is handled, to proceed in secret? Shall we continue that practice forever merely because some silly, little objection of that kind is made?

Our duty, the duty of every citizen to the public, it seems to me, even though we believed it would in some instances grate on the consciences of the taxpayers, demands that there should be publicity for the public good as well as for the protection of the taxpayers who are willing and anxious to pay what they justly owe under the law.

The Senator from Utah said in the course of his address at the beginning of this debate:

> It is not apparent that any useful purpose has been served by the publication of the amount of income tax paid by the various taxpayers.

I am inclined to agree with the Senator from Utah in that statement. The thing that I am asking for now, and that I am contending for here is not the present law; I concede that there can not be much good come from the existing law, but I hope Senators will not get into their minds the fact that that is what we are contending for. I tried to make plain at the beginning that that is not the object of this amendment. This amendment is exactly, as I have previously stated, word for word, the language that we put into the preceding tax bill, but which went out when it got into conference. Further along in his speech the Senator from Utah stated:

> It is not apparent that the information so disclosed has been intelligently availed of by anybody. The Treasury Department has been unable to trace any additional tax receipt from the fact of publicity.

I concede that. The information as disclosed has not brought in any additional receipts, because the publicity that is now provided by law is practically nil, for it does not give any information that would be of any value to the Congress in making a new law and very little value to the citizen generally if he wanted to criticize the tax returns of the large taxpayer.

The Senator from Utah again stated:

> In other words, the publicity feature is an additional incentive for delay in the final settlement of tax liability and is a hindrance rather than an aid to the Treasury Department in its desire to have tax matters settled as promptly as possible.

I think that is unimportant, although I do not agree with that statement. The Senator from Utah further stated:

> To the contrary, there is every incentive for concealment of actual facts generally for reasons based upon a construction of the tax laws as to which there may be an honest difference of opinion. So that actual fraud neither can be charged nor proved.

That is true under existing law.

Mr. President, I have introduced an amendment to the bill which provides that all returns shall be public records and open to inspection. It is evident the remarks of the Senator from Utah are as well directed at this amendment as they are the existing publicity provisions of the law.

We may well realize the Treasury Department has and probably will not find any additional tax because of public records, for the Treasury Department has been and is to-day committed against the public knowing anything concerning the administration of the tax laws or of the public having any records of the work of the Income Tax Bureau.

But as to whether publicity results in increased revenue to the Government, I think can be understood without difficulty. We recently had an inquiry by a select committee of the Senate relative to the administration of the tax laws. There we had some publicity, some examination of the returns of taxpayers, and there is no one who will contend that the Treasury Department has not found much additional revenue as a result of that inquiry.

The report of the majority of the select committee, on page 4, says:

> All amortization allowances exceeding $500,000 have been reviewed by the committee's staff, and improper allowances in this class alone appear to amount to $210,665,360.40. The tax on about two-thirds of this amount can be saved to the Government by prompt action of Congress.

Is there anyone who will contend that that condition would have been exposed had it not been for the publicity obtained through this committee? Is there anyone who will contend that the Treasury Department would have stopped these improper allowances had it not been for this investigation? The tremendous refunds of the last few years is a mute answer to that question.

But, if there is anyone who will contend otherwise, I am told that the representatives of the bureau fought and opposed the representations of this committee at every step and defended everything that had been done and was being done. When it was shown that the United States Steel Corporation had spent more money for plant extension in the post-war period than it spent during the war period, and yet was being allowed some $25,000,000 of amortization because the corporation contended the war plant was waste, I understand the bureau defended and fought any contrary view, and only after days and days was there any admission that the whole thing was wrong and would have to be corrected. Is there anyone who will contend that the bureau, admittedly in this frame of mind, would have corrected that condition had there not been an investigation and publicity?

Mr. President, I take it from the committee's report that the United States Steel Corporation was claiming amortization to the amount of $25,000,000. It is claimed that under the law it was entitled to that deduction for amortization because during the war it had expended that much in new plants, but it developed, so the select committee says, that that was not true. If during the war, for a war purpose, the Steel Corporation had expended money and built new plants simply for war purposes, and after the war they were useless, under the law they would be allowed to amortize that expenditure, to deduct it and get credit for it in their subsequent income-tax returns; but if it developed, as the committee says it did develop, that they had more business after the war then they had during the war, and that these plants erected during the war were after the war working 100 per cent, then under such a condition they were not entitled to that $25,000,000 deduction, for there had been no expenditure as a war proposition that would enable them to amortize it.

Did anybody in the country know what was going on? No. Did anybody know that they were about to get a deduction of $25,000,000 when they were not entitled to it under the law? No. Publicity of this committee's work gave the country knowledge of it; and while the question is undetermined as yet, it is believed that this money would not be taken from the

Treasury of the United States. Publicity has saved it, if it shall be saved. If the statements are correct, then the bureau had no legal right to give that $25,000,000 back to the United States Steel Corporation, and they never would have attempted to do it if there had been publicity. The proceedings, however, went on in secret.

I concede that there may be a contention that all of it or part of it ought to be amortized. From what the committee says, I judge that can not be so; but, admitting for the sake of the argument that it is a disputed question, yet with $25,000,000 of the taxpayers' money at stake in the case of this one corporation alone can anyone defend a proceeding behind closed doors? Would it hurt anybody if that case were admitted to the public gaze and tried as I must try my lawsuit in a court of justice? But it is said——

Mr. SMOOT. The bureau never allowed that case. It is not settled to-day.

Mr. NORRIS. No: it is not settled as yet; but the committee says that everybody in the bureau was contending that it should be settled; everyone there was fighting for it; they were all on the side of the Steel Corporation.

Mr. SMOOT. It would have been settled if that had been the case.

Mr. NORRIS. It has not been settled as yet, but even though you go so far as to concede that the amount ought to be allowed, the very fact that that amount of money in which the Government has a direct interest is at stake should be sufficient to condemn a secret proceeding behind closed doors and call for the doors to be opened in order to let the public know what is being done with their own property.

But it is said by the Senator from Utah:

> There may be an honest difference of opinion.

Is it not strange that in such a situation as that of the United States Steel Corporation the difference of opinion weighs so heavily against the Government until the thing is exposed? Is it not strange that there should not be any difference of opinion until publicity comes on, and that these secret governmental officials are all in favor of the Steel Corporation rather than the Government—until the doors are opened, at least? If we have public records, is it not fair to believe as a result of this recent investigation that publicity will force this bureau to decide now and then that the Government is entitled to some consideration when there is a difference of opinion?

The Senator from Utah adds that actual fraud can neither be charged nor proved.

Let us consider that statement. Unless we have public records, of course, anyone interested in defending the Treasury Department can make those general statements and get away with them. We have had some slight publicity through the select committee, and I desire to read some excerpts from their report.

The National Aniline & Chemical Co. case is reported on page 203 of the report of that committee. I will read from that part of the report on page 205. Referring to certain intangible values illegally allowed by the bureau, the report goes on to say on page 205:

> If this action was correct, the vendor companies were liable for income tax on the profit which they received upon the sale of these intangibles. In relation to this matter Solicitor Mapes, in a memorandum to the commissioner, said:
>
> "The third question in this case is whether the several constituent corporations realized income at the time of the exchange from the transfer of their assets to the National Aniline & Chemical Co. in exchange for its stock. My opinion on this question was that the constituent corporations realized income from the exchange measured by the difference between the cost or value as of March 1, 1913, of the property and the market value of the stock received in exchange.
>
> "I understand that the legal correctness of my opinion on this point is not questioned, but as a matter of policy it is deemed advisable to close the case on the other basis in accordance with which it has been prepared.
>
> "This is a matter of policy concerning which I hesitate to express an opinion."

That was the solicitor speaking. The report of the committee continues on this point:

> The vendor companies were not taxed on the profit made by them on the sale of the intangible assets above mentioned.
>
> Thus in the month of June, 1922, the Commissioner of Internal Revenue, against the advice of the solicitor, grants as refund of $3,035,771.55, which is largely based upon an allowance, as invested capital, of an excess of the amount allowable to the former owners of this property, and in the same month publishes a cumulative bulletin proclaiming that such a thing can not be done under the circumstances in this case.

I want to read from a part of this committee's report a little beyond the quotation that I have just read. This is some more of it:

> From the solicitor's memorandum above quoted it also appears that the tax on $11,500,000 of profit is also waived "as a matter of policy," although the legality of the tax is not questioned.

What do we have here, Senators? The legality of the tax on $11,500,000 not questioned, says the committee. Nobody questioned the legality of the tax and yet they waived it, and in their language—I presume it is copied from the order waiving it—it was waived: why? "As a matter of policy"; that is all—secret, behind closed doors!

Would anybody have been injured if that had been done in public? Mr. President, if there had been no secrecy that would not have occurred. If the officials who waived the tax on $11,500,000 knew when they waived it that their action was going to be public they would not have waived it: and that is what I have been contending for. If we had publicity these things would not occur; at least, not all of them.

Did anybody know that that was going on? Did anybody know that this Aniline & Chemical Co. was having a secret hearing behind closed doors, and that our officials in secret were waiving a tax that they said was legal on $11,500,000 of income? Did anybody know it? Was there any way to find it out? It never was known until this committee gave some publicity to it.

Senators say: "Oh, this committee have not found any fraud. They have not found anything bad." Was that fraud? Was there anything about it that was wrong? Is there any man who can defend carrying on the official business of our country with that much involved and doing it in secret, keeping it from the very officials of our own Government? Is there any defense for such action? I should like to hear somebody defend it. I should like to have somebody tell the reasons for secrecy in the Internal Revenue Bureau in this case. Would it have hurt this company any to pay the tax that the committee say was legal, and its legality conceded? Would that have been embarrassing to them? Were they afraid that their competitors in the chemical business would find it out; and is that a sufficient excuse for this secret action of our governmental officials? Is not that a fraud which can be charged and proved? If the Solicitor of the Bureau of Internal Revenue makes a statement that a certain tax is legally due, and that no one questions the legality of the tax being due, but that, "as a matter of policy," the commissioner decides not to collect such a tax, is not that a fraud upon the Government?

Turning to another page of the report, page 98, we have a discussion of the case of the Standard Oil Co. of California. In that case, despite the legal opinion of the solicitor and the order of the commissioner, the chief engineer of the bureau determined to adopt a policy which would give the Standard Oil Co. about $3,000,000. While that is not a consummated fraud, is it not an attempted fraud?

Let me read from that case of the Standard Oil Co. of California:

> This case is of great importance, as illustrating the lack of control by the Commissioner of Internal Revenue over the engineering division of the Income Tax Unit, the general attitude of the head of the engineering division and the chief of the oil and gas valuation section toward the Government and the oil producers, and the kind of reasoning which governs this work.
>
> The regulations (reg. 45, art. 223) permit an oil producer to deduct development costs, as either current expenses each year as they are incurred, or to capitalize such costs and deduct them through depletion. This regulation provides that "An election once made under this option will control the taxpayer's returns for all subsequent years."

Let us get that. Under the law this corporation had a right to deduct its development costs from its yearly income as current expenses.

It did not have to do that, however. It could capitalize such costs and deduct them through depletion. It had its choice. It could do either one. The only thing required is that when it decided which way it would do, that should apply to all the years. In other words, it could not do one way this year and another way the other year. So this corporation decided, from the very beginning of its organization down to and including 1921, to capitalize its development costs. That was perfectly all right. It had a perfect right to do it.

> The taxpayer's original returns conformed to this practice, and the tax computed on this basis was paid.

Later, however, this taxpayer discovered that if, instead of treating these development costs as expenses, it had taken the other course it would have saved some money.

It was found that to convert such development costs from a capital into an expense item would reduce this taxpayer's taxes for the years 1918 to 1920, inclusive, $3,378,921.35.

They did this at the beginning; but when they got up to these years they found that as to these years they would have made more money if they had taken the other course; they would have saved some taxes; and so they proceeded to do it.

Now, there were the facts.

Mr. COPELAND. Mr. President, may I ask the Senator a question?

The PRESIDING OFFICER (Mr. FESS in the chair). Does the Senator from Nebraska yield to the Senator from New York?

Mr. NORRIS. Yes.

Mr. COPELAND. How did they do it?

Mr. NORRIS. I am going to tell the Senator. I am going to read just how they did it:

It was claimed by Mr. Thayer, chief of the oil & gas valuation section, that in May, 1922, an oral agreement was entered into—

Remember, now, that was in May, 1922—

between the representative of the oil and gas valuation section and the taxpayer that in consideration of the waiver by the taxpayer of an unsubstantiated claim of some description, of which there is no record, the taxpayer would be permitted to file amended returns for 1918 and subsequent years, in which development costs would be deducted as current expense.

They had had the benefit of the other course up to 1918, getting the benefit as they decided. First, they decided to capitalize these costs. They did that as long as it was profitable, and when the profit would turn the other way they reversed the procedure, contrary to law and regulation, and made both of them work, as far as some of the officials of the bureau were concerned. They had to have an excuse to do that. They had to have some reason for it. They wanted to file amended returns and get their action reversed so as to make this something over $3,000,000; and as an excuse they concocted the scheme of having one of the employees—it was Mr. Thayer, the chief of the oil and gas valuation section—make an oral agreement, of which there is no record. The only thing we know about that oral agreement is that in consideration of some things which are not told, which may never have existed, they were going to be permitted to file amended returns, absolutely illegal, absolutely contrary to any warrant of law. They filed the amended returns, however; and so afraid were they of getting into trouble over filing those amended returns that they never signed them. As a matter of law there never was an amended return, because to be a return the paper must be signed and sworn to by somebody; otherwise, it is nothing but a scrap of paper. But these amended returns were not sworn to. They were not even signed. Did anyone know about what was going on there? No; it was done in secret. We never would have found it out if it had not been for this committee.

This would set a precedent under which other taxpayers could sustain claims for refunds to the amount of approximately $25,000,000 (Exhibit 12). (2825.) On September 1, 1922, the taxpayer was notified that such amended returns would be received.

On May 7, 1923, the taxpayer filed unsigned amended returns, in which development expenses were treated as capital charges (2806).

On June 9, 1923, the rules and regulations section ruled that the amended returns, changing the development costs from capital to expense charges after the taxpayer had elected to capitalize such costs, could not be received.

Mark you, the rules and regulations section ruled that that could not be done. Of course, it could not be done. Of course, it was a violation of law. In the first place, their amended returns, unsigned, unsworn to, would not justify them in doing anything, even though the act that they wanted to do had been legal. But it was illegal. It was a violation of the regulations. It was a violation of their own election. They sought to have it done without filing anything except what they called unsigned returns.

Let us follow this case. It is like a lawsuit, although it is being tried behind closed doors. Mr. Thayer, an unimportant employee, decided that the Standard Oil Co. of California could make a change in their returns which would yield them a benefit of something over $3,000,000 in taxes. He said it was an oral agreement, and in accordance with that agreement they had filed unsigned amended returns, which Thayer said would be all right.

Mr. SMOOT. They never got the refund, however.

Mr. NORRIS. Not yet. They probably would have had it if it had not been for this committee.

Mr. SMOOT. They would not.

Mr. NORRIS. They probably would have gotten it if it had not been for publicity, although it was contrary to the ruling of the commissioner himself, and of the solicitor, as I shall show.

On June 9, 1923, the rules and regulations section ruled that they should not be allowed to file this amended return and could not get this money back. On July 9 the solicitor sustained the regulation. He held that, as a matter of law, that could not be done. That should have settled it, should it not? It would have settled it if it had been out in the open day, but it did not settle it behind closed doors.

On September 10, 1923, Mr. Thayer—

The man who told them originally they could do this—

recommended that, notwithstanding the solicitor's ruling, the regulations, and all former precedents, the case be closed on the basis of the amended returns.

What do Senators think of that? Would that ever have taken place if there had not been secrecy there? Would anybody have dared to take that course? Would anybody for a moment have thought that such a thing would take place if there had been publicity?

Mr. REED of Pennsylvania. Mr. President, will the Senator yield for a question?

Mr. NORRIS. Yes.

Mr. REED of Pennsylvania. In the first place, I understand they never did get their money, in spite of all this secrecy.

Mr. NORRIS. I am coming to that. Do not worry about that.

Mr. REED of Pennsylvania. In the next place, I am wondering how the Senator thinks his amendment providing for publicity of returns would make public the auditing such as he is talking about here.

Mr. NORRIS. I am coming to that. I will take that up, too. I am glad the Senator called my attention to that, for I might have forgotten it. If I do forget it, I hope the Senator will call my attention to it again, because I do not want to overlook that matter. There is quite a point in it for publicity.

Senators are anticipating me. They say, "Why, they did not get the money." They have not gotten it yet, it is true. But they do not say anything about this thing going on in secret. Nobody comes out, even in the Senate, and says, "It was all right to do that kind of business in secret." Nobody says that we would ever have known anything about it if it had not been for this Couzens committee. Now we have it, that the solicitor, as a matter of law, has disapproved it and said it could not be done, and this employee, Mr. Thayer, away down below the solicitor, recommended that, notwithstanding the solicitor's ruling, notwithstanding the regulations, notwithstanding all former precedents, "this case be closed on the basis of the amended returns." In other words, this secret tribunal, this man doing business for the public in secret, said, "Give them this money, even though it is a violation of law, even though it is a violation of every precedent, even though it goes contrary to the opinion of the solicitor himself."

Mr. SMOOT. Mr. President, the Senator knows, does he not, that all claims over and above $50,000 have to go to the solicitor?

Mr. NORRIS. Do not get off on that tangent.

Mr. SMOOT. It is not a tangent; it is a fact.

Mr. NORRIS. Of course, it is a fact, but it has nothing more to do with this case than a last year's bird's nest.

Mr. SMOOT. There is no man——

Mr. NORRIS. Let us keep to the text. Let us stay with this case.

Mr. SMOOT. If the Senator does not want to yield, that is all right.

Mr. NORRIS. Of course, I will yield; but I am not going to yield to the Senator to talk about the weather.

Mr. SMOOT. The solicitor is not the weather.

Mr. NORRIS. I am not going to have my attention distracted from the Standard Oil case, about which I am talking. Let us get through that, and then we will talk about anything else the Senator wants to talk about, even about the inspiration of the Holy Scripture.

Mr. Greenidge concurred in Thayer's recommendation.

On September 29, 1923, Mr. Bright, Deputy Commissioner in charge of the Income Tax Unit, with all the facts before him, ordered the case closed on the unsigned amended returns.

We are getting up a little higher. We have gotten up now to a deputy commissioner. He orders this done; in secret, it

is true. Would he have done that if there had been publicity? I do not believe he would. I do not believe he would have said, "Violate the order of the solicitor; violate every precedent; violate the rules; but allow this thing to be done." He would not have dared do that if he had had to act in public. But he was acting in secret, and so Thayer said:

We will do this anyway, no matter what the law officer says, no matter what the regulations are; we are going to give the Standard Oil Co. this money.

Then they notified the taxpayer that it was going to be done.

The amended returns were audited and resulted in a certificate of overassessment for a refund of $3,378,921.35.

That is the money that was involved in this secret transaction.

In accordance with the regular procedure this certificate of overassessment, involving more than $50,000, was sent to the solicitor for his approval.

Now, it gets back to him the second time.

The solicitor, Mr. Nelson T. Hartson, in a memorandum to Deputy Commissioner Bright, under date of January 29, 1924, says:

This certificate results from permitting the company to file amended returns in which there is charged to expense various items theretofore capitalized.

This office in a memorandum to you, under date of July 9, 1923—

He wrote this in January, 1924—

held that as a matter of law this could not be done, and for that reason the certificate is returned to you without approval.

It is understood, however, that the proposed adjustment has been discussed with the commissioner and you should dispose of the case as directed by him. File is herewith returned.

This brought the case to the attention of the commissioner himself, whose action is shown in the following memorandum. This is dated February 20, 1924:

My attention has been called to your letter of September 29, 1923, in regard to the Standard Oil Co. of California, wherein you advise the company that its amended returns for 1918 and subsequent years in which intangible development items previously capitalized or charged off to expenses will be accepted, and notifying them that their case will be audited on that basis.

I think your letter is in error. It appears that you based your letter on some verbal understanding had between the conferees of the natural resources division and the representatives of the company. Any verbal understanding of an important matter like this is most unfortunate, and I do not feel that the bureau can be bound by it. In the first place, a matter of so much importance should be reduced to writing; in the second place, while great weight is given to agreements on the part of conferees, their agreements are not binding, and no agreement can be binding unless it is approved by the commissioner.

This matter was called to my attention some months ago, and the facts as presented indicated that perhaps the understanding between the taxpayer and the conferees should be carried out, but a thorough investigation of the file convinces me that this would establish a dangerous precedent and should not be done. You will therefore please notify the taxpayer.

D. H. BLAIR, *Commissioner.*

Listen to this:

Notwithstanding the foregoing memorandum of the commissioner, the two rulings of the solicitor, the ruling of the rules and regulations section, as well as all of the published precedents, Mr. Greenidge, as late as November 26, 1924, did not acknowledge defeat in his effort to secure this refund of over $3,000,000 for the Standard Oil Co. On November 26, 1924, Mr. Greenidge—

A Government official, acting behind closed doors—

writes Mr. Bright as follows:

November 26, 1924.

In re: Standard Oil Co. (California), San Francisco, Calif.

Mr. J. G. Bright,

Deputy commissioner.

With reference to the still undecided question—

He says it is undecided. It had been decided twice by the solicitor; it had been decided once by the commissioner himself, the head of them all; it was contrary to every precedent that had ever been set up in the bureau; it was a violation of the rule, as everybody admitted, and yet this man Greenidge said it was still an undecided question.

With reference to the still undecided question of whether or not this company should be permitted to file amended returns in which development costs previously capitalized are charged to expense, your attention is invited to the attached copy of a recent recommendation from the solicitor's office, particularly to issue No. 4.

In the case of the Standard Oil Co., a certain part of its income is impounded each year from 1914 to 1920. It appears, therefore, under the solicitor's recommendations referred to, that this company might file amended returns reporting these impounded funds as income for the year in which they accrued. The adjustment necessary to file these amended returns would be relatively small, as the amount of funds impounded is not large, but once the right to file amended returns on any basis is conceded a precedent would be established for accepting amended returns for 1918 and subsequent years in which adjustment would be made not only for impounded funds but also for the change from capitalized development costs to expensed development cost.

It is suggested that this matter might be discussed informally with the solicitor.

Think of that ingenious proposition, where the commissioner, where the solicitor, where the bureau, where everybody had ruled against Mr. Greenidge. It does not appear that there is any way for the Standard Oil Co. to get this $3,000,000, and yet he does not give up. He says:

Here is a thing that might be used for the purpose of giving them the right to file amended returns. It is not of much importance, it is true; it does not amount to anything; but if you can ever get it established that they can file amended returns, then they can put in the very things which have been rejected and get the money back.

The committee says:

This memorandum is conclusive evidence of a most deplorable situation in the Income Tax Unit. Mr. Greenidge had sole charge of all of the work of determining the allowances for depletion, amortization, values of natural resources for invested capital, and profit and loss purposes. That this vast responsibility and authority should be vested in a man who is even capable of recommending that a taxpayer should be permitted to open the door to the opportunity to claim immense deductions under the subterfuge of filing amended returns for the purpose of reporting as additional income an inconsequential amount of impounded funds shows a most dangerous situation.

Does anybody think that that does not tend toward fraud? Is there any lawyer who ever had anything to do with fraud who will not admit that that is evidence of fraud? If it means anything on earth it means the deepest kind of fraud. It goes to indicate that there is corruption and that there is collusion by a Government official with the Standard Oil Co. on the outside. I do not see how anybody can deny it.

No further action—

Said the committee—

is taken in this case until January 19, 1925, when the deputy commissioner instructed Mr. Greenidge and the head of the consolidated audit section to assess the deficiency of tax for 1917, unless proper waivers are received before the statute of limitations runs (2830).

Notwithstanding the orders of the commissioner and the deputy commissioner, this case apparently went to audit with depletion determination based upon the amended returns, because on April 18, 1925, L. T. Lohman, head of the consolidated returns division, advises the deputy commissioner that he can not proceed with the audit until the receipt of the engineer's report.

Think of it. Notwithstanding all this, they were still allowed to file amended returns. Notwithstanding the fact that the high officials had denied the right, these subordinates went on just the same. I suppose if the commissioner did not know it and the solicitor did not know it it would have gone on and the company would have received the money. The commissioner and the solicitor assumed their orders had been obeyed; that when the solicitor said, "It is illegal, and you can not do it," when the commissioner said, "It is illegal, and you can not do it," and when the rules said, "It is illegal, and you can not do it," their subordinates would carry out the decision and the rules—but they did not do it. They took the amended returns.

On April 30, 1925, Mr. Thayer, chief of the oil and gas valuation section, sent a memorandum to Mr. L. H. Parker, chief engineer for this committee, which concludes with the following statements (2832):

"Inasmuch as the taxpayer has had already three letters, each contradicting the previous one, it is believed to be good policy to take no further action until the offices of the bureau are in accord, to the end that there shall be no further reversals of actions taken. The proper action to be taken is now a matter of discussion between the engineering and audit divisions.

"This is not a matter of law, but a matter of interpreting the regulations, and there are good and valid arguments on both sides. Moreover, it is purely an interoffice argument over an open case."

That is Mr. Thayer. He wrote that memorandum after the Couzens committee was appointed, I presume, knowing that

it was going to get to the committee. He said there were three contradictory letters, and that is true, because Thayer himself, to begin with just a minor official, wrote the Standard Oil Co., "You can have it." The solicitor said, "No," and after it had gone to Greenidge he said, "You can have it," and then the commissioner said, "No." These minor officials on three different occasions have written the Standard Oil Co. of California that they could file amended returns, although in every instance they knew that their superior officers had decided otherwise.

Said the committee:

Thus, in spite of the fact that the solicitor has twice ruled that the taxpayer was bound by its election to capitalize its development charges, and both the commissioner and the deputy commissioner have formally ordered the case closed on the original returns, the chief of the oil and gas valuation section still considers the question open to be settled by discussion between the engineering and the audit divisions.

The examination of the work in the engineering division of the Income Tax Unit has convinced this committee's staff that nothing is considered settled by Mr. Greenidge until the taxpayer is satisfied, notwithstanding the Commissioner of Internal Revenue, and that this principle governed the work of the oil and gas valuation section under Mr. Thayer.

I wish Senators would listen to this because it is very important. They did not get the money in this case because it had to go through the hands of the solicitor; but, said the committee—

Had this case involved a claim in abatement instead of a refund it would not have gone to the solicitor for approval, and the solicitor's failure to approve would not have brought the case to the attention of the commissioner.

Just think of that! If it had been a case involving a claim in abatement instead of a refund they would have received the money through the action of a man in the bureau who was little more than a clerk. But because it was a refund it had to go to the solicitor, and they could not overrule the solicitor when he said it was illegal except by an order from the commissioner, and the commissioner sustained the solicitor.

Inasmuch as the taxpayer has now filed a claim for a credit against other taxes the allowance does not now depend upon a refund requiring the solicitor's approval.

Listen to that, Senators. They are going to get it anyway without the solicitor or the commissioner ever finding it out, or would have gotten if if it had not been for the Couzens committee.

Inasmuch as the taxpayer has now filed a claim for a credit against other taxes, the allowance does not now depend upon a refund, requiring the solicitor's approval (2832). The above quotation from Mr. Thayer's memorandum to Mr. Parker shows that the oil and gas section did not regard either the solicitor's rulings or the commissioner's order as binding upon him, and if the chief of the audit division can be induced to pass the claim, it can be slipped by the commissioner without his attention being called to it.

We believe that this case warrants a serious doubt as to whether the work of the engineering division is under the actual control of the Commissioner of Internal Revenue.

Mr. President, it seems to me that we ought to pause for a moment when we have that kind of a condition before us, a case the commissioner has denied and in which the solicitor has rendered two opinions both saying it was illegal, and yet some inferior official of the bureau instigating a method by which he tells the taxpayer how he can get around the decision and the opinion. Would that happen if the business of the Government were transacted in public?

The Senator from Pennsylvania [Mr. REED] asked me a while ago what that had to do with the amendment that is pending. It has everything to do with it. If the amendment were adopted the filing of the amended return and of the original return would be public. The first return would show that the development expenses had been capitalized. The amended return for subsequent years, when it is profitable to take the other course, would show that they were considered as expenses instead of being capitalized. It would appear from the face of those two returns that the Standard Oil Co. of California used one method when the tax was easiest for them, and when to apply that same method in a subsequent year it would increase their taxes they switched around and used the other method. All that would appear on the face of the returns themselves. Moreover, the amended return was never sworn to and it was never signed. That fact would be published and the public would know it.

I think the amendment has a very important bearing on the particular case under discussion, but if the provision of the amendment had been the law and those transactions were going on the incident never would have occurred. No man would have dared to take the course that Mr. Thayer and Mr. Greenidge took in the Standard Oil case to help the Standard Oil Co. get from the Government of the United States more than $3,000,000 in taxes which it justly owed the Government.

Remember, that case is still pending. If Greenidge's advice is followed, they are going to get that money unless the publicity which came from the Couzens committee has stopped it. It may be, now that the attention of Commissioner Blair has been called to it publicly, that they will not be able to carry out the scheme, but if there had been no publicity, even though they had failed all the way through to get an illegal claim allowed, they would have carried it out through the method Greenidge suggested and it never would have come to the attention of the commissioner or the solicitor, but would have been paid without their knowledge.

Mr. President, I have been advised many times by responsible parties since the pending bill has been before the Senate that, regardless of conditions which exist in the bureau, an employee dare not divulge the fraudulent conditions that exist. In the first place, he is reminded of the secrecy clause of the statute. In the second place, the system of espionage and punishment by the superior officers, if he discloses fraudulent conditions to anyone other than his superiors, is constantly a compelling reason why he should remain silent. I know, Senators, that this kind of evidence is not satisfactory. I know that if I say a certain condition exists in the bureau, but that I can not give the name of my informant, it is not very satisfactory evidence. I ought to be able to give the name of the man and tell who it was that gave me the information. I know that I have had brought to my attention the knowledge of some employees down there and have asked them to come to my office. One evening I had arrangements for three to be there, but none of them came. They sent word and told me why they could not come. I do not mean to say the bureau is honeycombed with men who are dishonest—not by any means. There are many honest, patriotic men down there trying to do their duty, but they are handicapped by this secret method of doing the public business, and they dare not come to me or to any other Member of the Senate and tell the truth about what is going on there, because they are afraid they would lose their positions if they do. Then, too, when they do that they have violated the law, because we have a law against it. They have not any right to do it. It is a condition that it seems to me is unbearable in any free country.

Now, I wish for just a moment to consider—I am not going into it in detail, because the Senator from Michigan [Mr. COUZENS] is so much better qualified to handle the matter than am I—the views of the minority of the so-called Couzen's committee. I tried to bring this out when the Senator from Kentucky [Mr. ERNST] was reading the views of the minority, but he would not yield to me to do so. On page 20 of those views the committee in defending the secret methods which are going on in the Internal Revenue Bureau states near the bottom of the page:

Not only have these rulings of general application been published, but the bulletins in which rulings are published have contained for the last two years a statement on their covers as follows:

"No unpublished ruling or decision will be cited or relied upon by any officer or employee of the Bureau of Internal Revenue as a precedent in the disposition of other cases."

In the first place, Mr. President, I wish to call attention to the fact that the minority of the committee jump at the very first opportunity when they are able to show that there is some publicity down there. Why do they do that? Why do they call attention to the fact that there is some publicity down there? If they are right in their contention, they ought to be arguing the other way and saying, "We criticize the bureau because there is a little publicity." They ought to close the doors and have no publicity; but at the first opportunity afforded to show that there is some publicity, they say:

Not only have these rulings of general application been published, but the bulletins in which rulings are published—

They published some of their ruling; that is very true—

have contained for the last two years a statement on their covers as follows:

"No unpublished ruling or decision will be cited or relied upon by any officer or employee of the Bureau of Internal Revenue as a precedent in the disposition of other cases."

There is an admission from the bureau itself that there are unpublished rulings, but they say those unpublished rulings are not used as precedents. There is one of the dangers of secrecy. In effect, this little statement from the bureau is, "Yes, we have secret rulings which we do not publish, but we do not use them as precedents in the disposition of other cases." Of course they do not. Some of them would be too "rotten." They would not use a ruling like that in the Standard Oil Co. case; they would not use a ruling like the one made in the chemical case, to which I have called attention; they would not use rulings such as were made in many other cases to which I am going to call the attention of the Senate. No, they are secret; and, Mr. President, there is a confession of the danger of secrecy.

There is an admission that they have secret rulings, but they are not going to be used as precedents. Of course not. If they were to use them as precedents they would destroy the effect of secret rulings. That is the way secret government always ends; that is the way secret tribunals always carry on. They can not use their rulings as precedents. They are not good as precedents. They are themselves violations of precedents; they are themselves exceptions to the rules; they are themselves violations of rules; they are themselves violations of law and violations of fact. They are themselves secret rulings that give favors to particular interests, to particular individuals and corporations. Of course, they do not use them as precedents. Of course they are secret; nobody knows what they are except the employees in the office and the great big taxpayer who gets the money that the Government of the United States ought to have.

Mr. COPELAND. Mr. President——

Mr. NORRIS. I yield to the Senator from New York.

Mr. COPELAND. Does the Senator from Nebraska mean that in proceedings before the Treasury Department there is discrimination and that certain citizens receive more favorable consideration there than other citizens receive?

Mr. NORRIS. That is just exactly what I mean. That is what will always result from a secret way of doing public business.

Mr. COPELAND. Let us make it perfectly clear.

Mr. NORRIS. I think I made it perfectly clear in these particular cases.

Mr. COPELAND. I think the Senator did make it clear, but I want it outside of all future discussion. I want to hear from the Senator from Nebraska if he believes that there is inequality in the adjustment of claims before the Treasury Department?

Mr. NORRIS. I think so, I will say to the Senator. From the history of mankind, from the history of Government, from the history of civilization, without saying that the heads of the bureaus or departments are corrupt or that they are intentionally doing anything wrong, I think I am justified in saying that you can not carry on a big business in secret and keep corruption out. It is an impossible thing and it never has been done.

Mr. COPELAND. The Senator from Nebraska, of course, realizes that now we are not particularly interested in what happened in the days of the Roman Empire, but we want to know whether what he states is true now, this year?

Mr. NORRIS. Yes.

Mr. COPELAND. That there is this discrimination?

Mr. NORRIS. There is right now in the city of Washington.

Mr. REED of Pennsylvania. Mr. President, will the Senator from Nebraska yield for a question?

The PRESIDING OFFICER. Does the Senator from Nebraska yield to the Senator from Pennsylvania?

Mr. NORRIS. Yes.

Mr. REED of Pennsylvania. Does the Senator know that it was stated by counsel for the Couzens committee when he appeared before the Finance Committee that in all of these exhaustive investigations he had come upon no evidence whatever of corruption on the part of any official of the bureau? He also stated that they were not particularly looking for corruption, but he stated that in no case which they had examined had they found any indication of anything of the sort.

Mr. COUZENS. Mr. President, will the Senator yield to me?

Mr. REED of Pennsylvania. I think I am correct, but if I am not the Senator from Michigan will correct me.

Mr. NORRIS. I yield to the Senator from Michigan.

Mr. COUZENS. I think the Senator from Pennsylvania [Mr. REED] intends to state the facts. I think if he will read the stenographic report of the hearings before the Finance Committee—I have not a copy here—he will find that we did not say there was no evidence of fraud, but we stated we found no fraud. We specifically stated that we followed up no evidence of it. If I did not state it before the committee, I so stated in the Senate the other day.

Mr. NORRIS. There is not any real dispute as to what the facts are. There is probably a dispute as to the conclusions that have been drawn by different people.

Mr. COPELAND. Mr. President——

Mr. NORRIS. Just let me finish this statement. The Senator from Pennsylvania [Mr. REED] understands it perfectly well. He is a shrewd lawyer, and he knows what the Senator from Michigan said. The Senator from Michigan has been leaning backward. He said he did not find fraud; they were not hunting for fraud, and they never followed up any of these things to see whether or not there was fraud. For instance, in the Standard Oil Co. case of California they never went into the question as to whether Mr. Thayer, if that is his name, had received money or had been bribed or anything of that kind. They were not investigating in that way; they were not trying to run down cases of fraud. So the Senator from Michigan states, "We did not find fraud; we were not looking for it; that was not what we were after; but," he said, "we did find collusion; we found corruption."

Mr. WATSON. Oh, no.

Mr. NORRIS. I think he did. Let him state what he did find. He said here before the Senate, "We found collusion"; and I think he said they had found corruption——

Mr. WATSON. I do not think so.

Mr. NORRIS. That they had found dishonesty and inefficiency. Then he said: "If that constitutes fraud, why, then, there was fraud."

Mr. WATSON. I do not think so. In the first place, I do not think the Senator said that, and in the second place we did not find it.

Mr. REED of Pennsylvania. Will the Senator permit me to state what was said on this subject before the Committee on Finance?

Mr. NORRIS. It has been stated before, I will say to the Senator from Pennsylvania. We all know what the Senator from Michigan has stated, and I will yield to him to state it again if he desires to do so.

Mr. REED of Pennsylvania. Does the Senator from Nebraska decline to yield to me?

Mr. NORRIS. I will yield to the Senator from Pennsylvania afterwards. I am going to yield to him just as soon as I get through yielding to the Senator from Michigan. I ask him not to take offense; I am going to yield to him.

Mr. REED of Pennsylvania. The Senator from Nebraska will yield to me, who asked him to do so, after he has first yielded to all the Senators who have not asked him to yield.

Mr. NORRIS. I take it the great Senator from Pennsylvania is going to be offended if I do not yield to him now, and I yield to him right now. Let him go on and read whatever he wants to read. He is going to read something that is a repetition, and which has been stated before, but he wishes to do it, and I am going to humor him and let him go on and do it.

Mr. REED of Pennsylvania. I very much appreciate the fact that the Senator from Nebraska should yield to me, Mr. President.

Mr. NORRIS. Hereafter when the Senator from Pennsylvania interrupts we will drop everything else and yield to him and everybody else may sit down.

Mr. REED of Pennsylvania. The Senator from Nebraska seems to want to yield to all the Senators who have not asked him to do so, and I appreciate his finally yielding to me.

In the hearing before the Finance Committee, on page 73, appears this question by myself:

> Now, I am impressed by the vast discretion which the law has intrusted to very poorly paid engineers and officials in cases that involve millions of dollars. You find nothing to indicate that favoritism was corrupt?
>
> Mr. MANSON. No; I have never found anything in connection with an amortization case which indicated that any amortization engineer was——

Mr. NORRIS. Is that all? Will the Senator let me go on now? Will the Senator from Pennsylvania let the Senator from Michigan say a few words?

Mr. REED of Pennsylvania. If the Senator's kindness is not already strained to the breaking point——

Mr. NORRIS. No; it is not strained; it is unlimited.

Mr. REED of Pennsylvania. Perhaps he will permit me to read another extract.

Mr. NORRIS. All right.

Mr. REED of Pennsylvania. Mr. Manson was testifying before the committee. I read from page 70 of the hearings, beginning January 4:

Senator REED of Pennsylvania. May I ask one question more? In these cases, speaking generally, is the excessive allowance, in your judgment, due to mistakes of the bureau or is it due to corruption?

Mr. MANSON. Oh, I do not maintain it is due to corruption. I do not maintain that; get that straight.

Senator REED of Pennsylvania. I am asking in all sincerity, because I am not familiar with the facts.

Mr. MANSON. Oh, no.

Senator REED of Pennsylvania. Have you found any evidence of corruption?

Mr. MANSON. Oh, no; I haven't any evidence of corruption.

And that is in a bureau that has handled $30,000,000,000 of tax cases in the last five years.

Mr. NORRIS. Mr. Manson, though, had not examined those $30,000,000,000 of tax cases. The Senator might ask me whether I had found any corruption. I have not been inside the bureau. He might bring a dozen men to prove the innocence of a client and have them testify, and testify truthfully, that they had not seen the crime committed; that they did not know about it. The Senator from Michigan was not looking for fraud. Now, I yield to the Senator from Michigan and will let him make his own statement.

Mr. COUZENS. Mr. President, in the statement I made on Friday last I pointed out just as emphatically as I could that there were many cases presented as to which suspicion lodged in the minds of at least some members of the committee. There was an attorney by the name of Hickey who filed a number of affidavits. Mr. Hickey was a man who was for years in the employ of the bureau, but who, as I understand, resigned with a high reputation. He filed affidavits of collusion, of fixing, of distributing cases among certain employees where they were satisfied that they could get a favorable decision. There were cases innumerable—and I am going to recite some of them before I get through—that made several members of the committee, at least, suspicious that there had been collusion and favoritism.

We recognized, however, that we were not a grand jury. It was specifically said by the Senator from Indiana [Mr. WATSON], and I think the Senator from Kentucky [Mr. ERNST], all of which I concurred with, that this was not a grand-jury investigation; that we were devoted to the purpose of finding out what the system was, what the opportunities for corruption and collusion and favoritism were. We specifically said that we followed up not a single one of these inferences, and there were many inferences. We never even called to the witness stand Mr. Hickey, who filed several sworn affidavits. We did not even call the men who he suggested were corrupt. We made no attempt to catch individuals, because in the first place, as I stated, we were not a grand jury, and in the next place to have discovered corruption and collusion among those individuals would have been no benefit in correcting the system.

I think that is a fair statement. I can not say whether the Senator from Indiana, who sits near me, concurs in that statement or not. I do not know whether he has the same things in his mind that I have in mind. I do know that none of us at any time attempted to follow up individual allegations of fraud, either in the investigation of the Internal Revenue Bureau, the Income Tax Unit, or the Prohibition Unit. So far as the Prohibition Unit is concerned, hundreds of charges of fraud and corruption were filed with us, and I never even submitted them to the committee, because I understood that the disposition of the committee was not to go into these individual fraud cases, and we did not do that.

Mr. REED of Pennsylvania. Mr. President, I am glad the Senator mentioned Mr. Hickey, because it gives me an opportunity to correct a misstatement I made the other day. I had understood that he was discharged from the bureau and I referred to him in that way. He has written me to say that that is an error, that he was not discharged, and I am only too glad to make this statement as publicly as I made the other one.

As for the Senator's statement, he has stated the facts exactly as I understand them. The committee was not a pack of detectives. It was not trying to run down crime. I understand that; but it did examine very thoroughly into the workings of the bureau, and I was impressed by the fact that it found no evidence that to its mind was conclusive of corruption, although I fully understand that it did not go into all the clues that it might have followed.

Mr. NORRIS. Why, of course.

Mr. COUZENS. The Senator from Pennsylvania is correct.

Mr. NORRIS. Whenever there was an indication of fraud, the committee ran away from it. They did not follow up any of those leads.

Mr. REED of Pennsylvania. Mr. President, that is not fair to the Senator from Michigan. He did not run away from anything.

Mr. NORRIS. I did not mean what I said in any offensive way. They were not looking for fraud. They did not want to find fraud.

Mr. COUZENS. I would not say that we did not want to find it, but I would say that if it could have come to us without conducting a grand-jury investigation we would have received it.

Mr. NORRIS. Yes. Fraud, however, does not come to committees in that way. Men engaged in fraudulent business are not running around hunting committees to which to divulge their fraudulent actions. I think everybody understands what actually happened. The committee found many things that led to fraud. The Senator from Michigan, however, states—and I presume states with absolute correctness—that when they found something that looked as though it was wrong they did not follow it up. They did not try to find out what the end might be. They did not go where they logically would have gone and where I think they ought to have gone. So it is not right to say they found everything pure and holy in that secret tribunal. It is not right to say that there were not hundreds of leads that indicated that they were going to lead the committee into corruption and fraud if they had followed them.

Mr. COPELAND. Mr. President——

Mr. NORRIS. I yield to the Senator from New York.

Mr. COPELAND. Just for a moment, let us put the matter on a little higher plane. Without reflecting at all upon the head of the bureau or the Secretary of the Treasury——

Mr. COUZENS. Mr. President, in that connection will the Senator yield a minute?

Mr. NORRIS. of course.

Mr. COUZENS. No one has attempted in any speech or statement to reflect on the head of the Treasury Department or the head of the bureau. It is the system of which we are complaining.

Mr. COPELAND. That is exactly what I wanted to bring out, that many of us who are critical of administrative acts are not seeking to bring any suspicion upon the reputable men and the honest and reliable men who are in official position; but, if I understand the Senator from Nebraska and the Senator from Michigan, it has been clearly demonstrated that there are inequalities in dealing with individuals; that some are dealt with on one basis, and some on another. If that is true, it is a serious reflection upon the Treasury Department; and that, as I understand, is the charge made by the Senator from Michigan and the Senator from Nebraska. Their position is that there should be such a reform in the administration of the affairs of the department that rules and regulations will be formulated and published so that any citizen, without the intervention of a high-priced lawyer, may know that he can go to the department and have exactly the same fair and square treatment that every other citizen gets. If I understand the Senator from Nebraska and the Senator from Michigan, the situation is such that men are not treated equally in the department.

Mr. NORRIS. That being true, some men would say, "That is fraudulent; that is corrupt," and some men would say, "Oh, no; that is only a mistake." Have it as you please, call it by any name, the facts, as far as this committee have developed them—and they admit they have not gone to the end—are perfectly plain, I think.

Since we have been talking about this matter I notice that the junior Senator from Utah [Mr. KING] has come into the Chamber. He is a member of this committee. I will say to the Senator that there has been a dispute going on here as to whether this committee found any evidences of fraud, or whether they found everything beautiful, or whether they found things crooked, and if so how bad, and how far they went into that, and what was their conclusion? I should like to ask the Senator from Utah if he has any impression from their investigation as to whether there is anything wrong down here in this secret bureau?

Mr. KING. Mr. President, I have not heard the discussion which has taken place this morning; but, answering categorically the question just submitted by the Senator, I have no hesitancy whatever in stating that the bureau had a number of employees who were corrupt, some of whom have been discharged, some of whom have been arrested, and a few of whom, as I understand, have been sent to the penitentiary. It had a

large number of employees who obtained information in regard to assessments, some of which were improper—not through any fraudulent purpose upon the part of anybody—and which, as soon as auditation occurred, would have been discovered and a refund or an abatement would have been made. They promptly resigned, or in a few instances communicated their discoveries to some confederates upon the outside, and they sought the taxpayer against whom the assessment was levied which was not legal or not proper and got from him a contract for a large percentage of the tax in the event of their being able to secure an abatement. They did not really do anything, because, as I said, as soon as the error was discovered by the responsible officials of the department the abatement was made.

There has been a good deal of looseness. There have been many irregularities. I think that in the mineral division there was gross carelessness. I think that the conduct of many who were connected with assessments was of such a character as to justify the charge that they were guilty of a failure to discharge their duty, and, while I shall not say that they accepted money, their conduct was such as to relieve the taxpayers of the payment of taxes which they justly should have paid to the Government of the United States.

Mr. NORRIS. Does the Senator think those instances in the aggregate amount to a great deal of money?

Mr. KING. Undoubtedly.

Mr. NORRIS. How much?

Mr. KING. Take the matter of amortization: In my opinion the illegal amortization allowances will aggregate more than $100,000,000. I have not any doubt in the world that allowances have been made with respect to oil depletion and discovery depletion in the copper mines amounting to several hundred million dollars.

Mr. NORRIS. Have there been any irregularities in the handling of individual income-tax returns? Did the Senator go into that?

Mr. KING. Only to a limited degree. I was not at all satisfied with the returns of several publishing corporations. I shall not mention their names. I was not satisfied with some of the returns which were made by individuals as stockholders of corporations; and I think a careful examination of the records of the Internal Revenue Bureau will convince anybody that there have been misdeeds, irregularities, great carelessness, great looseness upon the part of officials, which have resulted in losses to the Government. I want to say, too, that the methods employed have resulted in improper levies upon taxpayers, and some taxpayers have been called upon to pay more than they should have paid. I do not say that there was any fraudulent purpose there; but my criticism is of the method which was employed, the failure to adopt a uniform policy, the failure to understand the rules and regulations, the failure to have proper supervision.

What is needed in the department more than anything else is supervision. If they will discharge about one-third of the employees and then get competent supervisors, many of the evils to which reference has been made and which were uncovered in the report will be obviated.

May I say to the Senator that the committee of which the Senator from Michigan [Mr. COUZENS] was the chairman has only touched the surface. I do not mean that any inferences adverse to anybody shall be drawn from that statement. I merely state that the matters to which we directed attention were only a fraction of the matters which, in my opinion, should receive the attention of some commission appointed by the Government.

Mr. McKELLAR, Mr. SIMMONS, Mr. REED of Pennsylvania, and Mr. McLEAN addressed the Chair.

The PRESIDING OFFICER. Does the Senator from Nebraska yield; and if so, to whom?

Mr. NORRIS. I yield to the Senator from Pennsylvania, although several other Senators addressed the Chair first.

Mr. REED of Pennsylvania. Mr. President, I am fully appreciative of this unusual generosity on the part of the Senator from Nebraska. I am almost but not quite overcome.

Mr. NORRIS. I hope the Senator gets through it alive.

Mr. REED of Pennsylvania. Yes; I think I can last for two minutes if the Senator has lasted three hours and three-quarters.

I desire to ask the Senator from Utah, who has given us facts as a change from philosophy, whether he thinks the conditions of which he speaks would be remedied by making all income-tax returns public?

Mr. KING. Mr. President, I confess that I dislike to argue that question now; and yet I will say this, because my friend is always so frank and my relations with him are so cordial, and I esteem his judgment so highly:

I am in favor of publicity. I believe that publicity is calculated to produce upon the part of officials greater care and greater scrutiny. I believe that it will relieve the taxpayer, if I may use that expression, of suspicion, and will satisfy the public, even though they never should go there to examine the returns, that things are going along in a proper way. As the Senator knows, the psychologoy of publicity has a wholesome effect, and much of our conduct in life as private individuals and as officials is the result of psychology. We act from psychological reasons oftentimes rather than from rational and purely intellectual reasons.

Mr. REED of Pennsylvania. Mr. President, it would interfere with efficiency, would it not, to throw all these returns open to the public and have them handled and being constantly withdrawn by examiners from the public, just when the examiners of the bureau wanted to work on them?

Mr. KING. Yes.

Mr. NORRIS. I still yield to the Senator from Pennsylvania.

Mr. REED of Pennsylvania. I am afraid of overdoing the Senator's courtesy.

Mr. NORRIS. The Senator can not overdo it.

Mr. KING. Will the Senator from Nebraska yield so that I may make answer in addition to merely saying "yes"?

Mr. NORRIS. Yes; I yield.

Mr. KING. I have no doubt that if the public to any great extent should avail themselves of the opportunity, if we should pass a law of that character, to visit the tax unit and ask for the returns of A and B and C and search the records, that it would interfere to a considerable degree with the activities of the department, with their efficiency. If publicity is permitted—and I shall vote for it—it should be only under reasonable rules and regulations, and at such times and under such circumstances as would reduce to the minimum any interference with the activities of the department. I think that could be accomplished. I shall not, of course, trespass upon my friend from Nebraska to outline how that might be done.

Mr. SIMMONS. Mr. President, will the Senator from Nebraska yield to me to ask the Senator from Utah a question?

Mr. NORRIS. I yield to the Senator from North Carolina.

Mr. SIMMONS. The Senator from Utah is a member of the so-called Couzens committee. He is also a minority member of the Finance Committee.

Mr. KING. Under the leadership of my friend from North Carolina.

Mr. SIMMONS. The Senate has had under discussion this morning for the past two hours, I should say, the disclosures of the Couzens committee's investigation. I wanted to ask the Senator if it was not true that the minority members of the Finance Committee, in the discussion of their attitude toward this bill, did recognize that the situation created by the report of the Couzens committee, as to its investigations, required some notice in this bill, and if it is not true that we did discuss the question of how we could reach the evils that we wish to remedy in this respect; and if, as the result of that discussion, in large part, we did not adopt section 1203, creating a commission; and if that section was not drawn chiefly by the Senator from Utah, the Senator from New Mexico [Mr. JONES], who was also a member of the Couzens committee and of the Finance Committee, and Mr. COUZENS himself, with a view, as we understood, and as I think they understood, that it was the desire of the committee that such section should be made as comprehensive and as complete as possible to effect the result which the committee had in mind. I ask the Senator if in these questions I have not correctly stated what took place?

Mr. KING. Mr. President, may I have time briefly to reply?

Mr. NORRIS. The question, of course, is a very short one, and I suppose the Senator will not take much time to answer it. I yield to the Senator.

Mr. KING. Mr. President, I do not like to attribute motives to any person. I think—and I believe this is a proper interpretation of the conduct of the majority, and I would not do them an injustice for the world—the majority believed that the situation in the department was such, in view of the report and in view of the facts of which they were cognizant, that it would be for the best interests of the public service to create a commission, representing the legislative branch of the Government, authorized to go into the tax division, and to be there constantly if the Finance Committee and the Ways and Means Committee desired that it should be, for the purpose of ascertaining just the modus operandi, just what was being done, how the law was being administered, whether favoritism existed, whether there was any discrimination, and to make recom-

mendations for remedial legislation to correct any abuses and any wrongs which were found there.

Mr. SIMMONS. And to investigate any cases.

Mr. KING. And to investigate any cases. I am sure the majority feel that that course was right; and I want to say if I may have just one minute more, that in making the statements which I have made criticizing the department I have acted wholly impartially. Democrats have been as much at fault as Republicans, and some of the officials there whom I have criticized are Democrats. It is not a party matter. It is a condition largely superinduced by reason of the war, supplemented by reason of the vast accumulation of returns and the chaos which followed the failure to have a proper organization, and the drifting into the service of many men of a low moral character.

Mr. NORRIS. Mr. President, I ask the Senator if he could not add to that that in addition the evil is superinduced by the secret handling of the work?

Mr. KING. I am in favor of a law that will give publicity in a proper way, and under proper restrictions and regulations, of the returns and the activities of the department.

Mr. SIMMONS. Mr. President, the amendment referred to provides that the commission shall report the results of their investigations and their findings to the committees of the two Houses and to the two Houses themselves.

Mr. KING. If I have trespassed too much on the time of the Senator from Nebraska, he must be to blame, because he asked me to answer the question.

Mr. BORAH. Mr. President, I want to ask one question of the Senator from Utah.

The PRESIDING OFFICER. Does the Senator from Nebraska yield to the Senator from Idaho?

Mr. NORRIS. I yield to the Senator.

Mr. BORAH. Does the Senator think that the provision which was adopted, to which the Senator from North Carolina has referred, is sufficient to bring about publicity?

Mr. KING. No.

Mr. SIMMONS. Mr. President——

The PRESIDING OFFICER. Does the Senator from Nebraska further yield to the Senator from North Carolina?

Mr. NORRIS. Yes; I yield to the Senator.

Mr. SIMMONS. I was speaking with reference particularly to the cases the Senator has been discussing, disclosed by the Couzens committee.

Mr. NORRIS. Now, I yield to the Senator from Michigan.

Mr. COUZENS. Mr. President, I want to say, in addition to what the Senator from North Carolina has said about the Couzens committee, and as to section 1203, which is the section creating a commission made up jointly from the Ways and Means Committee of the House and the Finance Committee of the Senate for the purpose of studying these individual returns and complaints, and for the purpose of checking up on the administration, I think section 1203 goes a long way toward reaching the trouble.

Mr. SIMMONS. That is the only phase to which I referred.

Mr. COUZENS. I think that goes a long way; but in my remarks Friday I particularly pointed out that I did not believe that even the adoption of the amendment proposed by the Senator from Nebraska would be an all cure for the trouble. I believe that the adoption of the amendment proposed by the Senator from Nebraska, plus the commission provided in section 1203 of the pending bill, ought to bring about an ideal condition, or a condition as nearly ideal as could be brought about by the minds of men.

I want to go back for just a moment to what I consider the results of this secrecy provision. No one knows better than the committee which went all through these cases about the results of these secret conferences. The junior Senator from Utah a while ago referred to some publishing companies, and I think it is apropos to draw the Senate's attention to a particular case, referred to on page 206 of the committee's partial report filed on January 12, 1926. This is one of a group of affiliated corporations controlled by Mr. W. R. Hearst:

> On December 31, 1903, the Star Co., of New York, was indebted to Mr. Hearst to the amount of $6,119,100.04, representing advances made by the latter. A journal entry was made on December 31, 1903, on the books of the Star Co. closing this account payable into surplus. In 1917, after a lapse of 14 years, this entry was brought to the attention of Mr. Hearst by an accountant who investigated the books. On Noyember 30, 1917, Mr. Hearst addressed a letter to the Star Co. calling its attention to the fact that such entry was unauthorized and requesting that the entry be reversed to show the facts.

In other words, it was first transferred from a loan to capital surplus and then taken out of capital surplus and transferred to a loan, so that in case of difficulty the liability of the Star Co. to Mr. Hearst would be on a par with the liability the company had to other creditors.

> Mr. Hearst in this letter states:
>
> "Not only have I never authorized any such entries, but so far as I have been able to ascertain no such authorization was given by the board of directors of these companies. Nor was there any authorization of any entries which would in any way affect the credits which, prior to the making of the entries referred to, stood upon the books in my favor and which represented moneys advanced by me to those corporations."
>
> In 1918 the taxpayer took up the matter of including this indebtedness in invested capital with Doctor Adams, chairman of the advisory tax board, and on March 9, 1918, the latter sent the taxpayer a telegram, as follows:
>
> "Noninterest-bearing permanent indebtedness of a corporation represented by loan from sole stockholder without fixed time of maturity and not evidenced by written obligation may be treated in the return as invested capital as per letter of this date."

I submit it was against the law and against the statute to allow any such action. It was not permissible to put borrowed money into capital account.

On March 13, 1918, Doctor Adams wrote the taxpayer as follows:

> What I meant to convey by the above telegram is that while I have very little doubt about the status of such indebtedness and am willing to have the return of the company concerned made up on the assumption that such indebtedness is part of the capital, the question is nevertheless one which requires careful legal examination, and we must reserve the right to treat this item as a liability rather than invested capital if subsequent examination of legal precedents proves this to be necessary. You will be advised, of course, before any change of this kind is made.
>
> Attention should be called to this item in the return of the corporation, and you may state that I have informally authorized its inclusion tentatively in invested capital.

These were all in secret records of the bureau.

Mr. REED of Pennsylvania. Mr. President, will the Senator yield for a parliamentary inquiry?

The PRESIDING OFFICER. The Senator will state his inquiry.

Mr. REED of Pennsylvania. Who has the floor?

The PRESIDING OFFICER. The Chair will state——

Mr. NORRIS. Mr. President, I did not suppose there was any dispute about it. I think I have the floor, although if somebody objects to my yielding, as I did, to the Senator from Pennsylvania and others to make speeches, I presume that technically I lose the floor.

The PRESIDING OFFICER. The Senator from Michigan has not the floor in his own right, but having been yielded to by the Senator from Nebraska, the Chair will rule that the Senator from Nebraska has the floor.

Mr. COUZENS. I proceed with the reading:

> On the above authority the taxpayer included the Hearst personal account in its invested capital in submitting its returns for the years 1918 and 1919. In the audit the item was disallowed as invested capital by the Income Tax Unit. The taxpayer protested to the disallowance in a brief dated November 12, 1921. As a result of this protest a conference was held on November 18, 1921, at which the question was discussed, but the record does not indicate that a decision was reached.

I want to point out at that point that the taxpayer protested, in spite of the fact that he himself had required that the item be taken out of capital and put into a liability.

> As the result of this protest a conference—

One of the secret conferences—

> was held on November 18, 1921, at which the question was discussed, but the record does not indicate that a decision was reached.
>
> The next A–2 letter, dated August 11, 1922, to the taxpayer allowed this item of borrowed money as invested capital, referring to the above-mentioned conference as authority therefor. There is no other evidence in the record to show the authority on which this item was allowed as invested capital.

Not to take up the time of the Senator from Nebraska, I want to point out that these negotiations created a saving to the taxpayer of $1,737,000 just because of the reversal of the ruling in private conference and without the law.

Mr. NORRIS. Mr. President, I appreciate the parliamentary inquiry that was made by the Senator from Pennsylvania [Mr. REED] as to whether I had the floor. I would concede as a parliamentary proposition that I have lost the floor a great

many times this afternoon if strict parliamentary law were enforced. I lost it several times through my courtesy to the Senator from Pennsylvania himself, so I was a little bit surprised that he was trying to get a parliamentary inquiry addressed to the Chair that might have the effect of taking me off the floor when I yielded to somebody else. We have been very lax. I am willing that the law should be enforced technically to the limit any time the Senator wants to do it. I only want it to apply to everybody alike; that is all.

I am going to take up now some statements contained in an affidavit made by Mr. Hickey, a former employee of the Government, to whom reference has been made several times during the debate.

The Senator from Michigan gives him a very good recommendation as far as he knows. He has been in the employ of the Government for a good while. He has made an affidavit and sworn to it in which I think technically he has violated the law, perhaps, in disclosing some of the secrets of this great secret tribunal by giving information to Members of Congress. As I said a while ago, there are many of those who refuse to give information because of that law, who refuse to give information because they are afraid that if they do they will lose their positions. So when we start in to find out something about this great secret tribunal, with endless billions of the people's money involved, we are confronted with the fact that the doors are closed even against Congress, the lawmaking body of the country, and we are denied even the information that would be necessary to legislate efficiently for the management of that great tribunal.

Mr. Hickey has made a very interesting affidavit. I realize in reading from it that it is an ex parte proceeding. I realize very fully that he has not been placed on the witness stand and cross-examined, which every man who has had anything to do with the investigation of fraud, or, in fact, any investigation, civil or criminal, recognizes is a very important thing. I realize that when affidavits of this kind are made charging irregularities against officials of the Government, perhaps a full investigation, even without saying that the person who makes the affidavit is intentionally dishonest, might disclose that there was nothing wrong. I concede all that.

But, Mr. President, as long as we have a great portion of our Government dealing with the financial tax-paying ability of all our citizens, conducting the business of that great bureau in secrecy, surrounded by the mysteries that always surround secret operations of such magnitude, there is no way that I know of to ever break down the great wall of secrecy that stands in front of us whenever we try to do anything except to use the best evidence we can get.

I have tried to have personal conversations with some of those people. I have tried to meet some of the men who were in the bureau and who are now out of it engaged in business in this city, one man in particular, whose name would be familiar to every Member of this body and whose disclosures given confidentially were conclusions, it is true, but conclusions he had reached from his work in the bureau that would condemn it more severely than any condemnation that has taken place.

But he did not want his name used and did not want what he said used, because it would seriously interfere with the business in which he is now engaged in this city. I have had other people in the bureau tell me that the amendment ought to prevail; that they hoped it would prevail; and that if it did not, another amendment should be offered—which, as a matter of fact, was prepared by employees of the bureau and given to me, and which I am going to offer if the pending amendment fails—which gives to every employee in the bureau the right to make disclosures to Members of Congress and not to be criminally liable if they do so.

That is the dilemma in which we find ourselves. That is what some of us, it seems to me, are trying to perpetuate, and every year that we perpetuate it we make it worse.

Every government operated anywhere in the civilized world on a basis of secrecy in its public business grows worse and worse and worse every year. There is only one end, and we are headed for it if we conduct the business of our Government through secret tribunals. There is no more reason, as I said a while ago, why the Bureau of Internal Revenue, that deals with dollars and cents, should be secret than the Census Bureau, which goes out and inquires into my social habits and your social habits, your parentage, your children, and your wives' people. They get publicity when the morality of the citizen is involved, but when the dollar is involved it is too powerful and the line is drawn. We can get publicity about folks, and have all we want, regardless of the disgrace or inconvenience it may cause them, but when $38,000,000,000 of money contributed by the toiling mass of the country is involved we must have secrecy, because it might offend somebody to have somebody else find out just what was in his tax return.

It would be interesting if I read the affidavit of Mr. Hickey in full, but I am not going to take the time of the Senate to do it. I have picked out extracts from it, somewhat at random, which I am going to read. However, before I do it I want to read one more extract from the Couzens committee report on secrecy. I do not know whether the Senator from Michigan [Mr. COUZENS] read it the other day or not, but I want to quote the judgment of the majority of the Couzens committee. Some one has said this would not cure every evil, and I admit it. I know that. I know that things will go wrong here and go wrong there whether we have publicity or whether we have secrecy. I know that publicity will not make it unnecessary to have any more prisons or anything of that kind. I realize that. It is not a cure-all by any means. No one has claimed that. But that it will go far toward curing the deficiency, that it will increase the revenues of the Government many hundreds of millions of dollars, I do not believe any student of the subject can doubt for a moment. Here is what the committee said in a general way about publicity, on page 8:

> The unsatisfactory conditions developed by this investigation are the inevitable result of the delegation of almost unlimited discretion to be secretly exercised.

Nobody can dispute that. Nobody can think that over and look over the evidence and deny it.

> It is believed that but few of the unsound settlements to which attention has been called would have been made if it were not for the belief that they never would become public.

I do not see how anybody can dispute that. None of the instances that I have given this afternoon, in my judgment not a single one of them, would ever have occurred had it not been that those who were responsible for them believed that the facts would never see the light of day. The committee, which has not yet scratched the surface, should go on instead of stopping when it begins to look as though there was collusion between a man inside and a man outside. Instead of steering away from it, they should follow it out and see whether there is any connection between these men in the bureau giving away the funds of the Government to private corporations and men in the outside corporations.

It seems the only way to run down these fraudulent instances. There is no question about it that every member of the committee who started in on the work knows there are plenty of leads that would lead to the penitentiary if they were followed out—at least that is the indication as far as they have gone. If it turns out they are all Sunday-school people, all good, all pure, I would be satisfied and would be glad of it. Perhaps then they would have a more difficult matter to explain some of the things they have done than though they admitted they were not good.

With that statement of the committee, that judgment of the committee, after they had spent a year or two in investigating the matter without charging anybody with fraud, as they say, yet all these things have developed that are wrong. The committee say that probably none of them, at least not many of them, would have occurred if it had not been that the men who were guilty of them believed they would never see the light of day. I do not see how we can longer close the doors and windows of this great institution and thus enable it to dodge publicity and the sunlight of publicity that will drive out the germs that only grow in dark places. Publicity will kill and sunlight will burn to death the germs of corruption and collusion that always grow in secret recesses where there are billions of dollars involved, as there are here.

It would be interesting if I had the time to read the full affidavit of Hickey, written with a great deal of pains, I think, and which shows upon its face that the man who wrote it possesses, I believe, exceptional ability.

I am going to read first from section 7. I want to read a statement in regard to the consolidated division because not only in what I shall say, but if Senators will read the balance of the affidavit and also the Couzens committee report, they will find that that was a very important division and apparently in many instances, at least where it was desired to get something through, they always first maneuvered to get it before that division.

Mr. Hickey said:

> However, as we shall see later, the consolidated division handled the cases which were to be fixed cases, which should have gone to corporation or personel or natural-resource division. I shall now show by cases how the machine worked.

He has given an explanation of a good many things prior to this statement:

I shall now show by cases how the machine works, its purpose, and the results obtained. I shall also show the members of the machine or those members within my knowledge, and how the machine was developed by promotion and otherwise, and the operations of the machine. I shall demonstrate there was not the slightest justification in the law or procedure for the actions taken and of which I complain.

Then he proceeds to give some of the cases. He says, on page 8:

The affiliations section had been functioning about five months or more, and I had been promoted to the position of reviewer and conferee when the case of Roessler & Hasslacher Chemical Co., New York City, was handed to me by H. L. Robinson, my chief. He directed me to study the case closely and to let him know my opinion on the question of affiliations, telling me that the case was a "special." This may have been in February or March, 1922.

Upon examining the record of this case, I found that under the bureau's original ruling of June 3, 1920, two corporations had been denied the right to join in consolidated returns filed by the company mentioned, which I shall hereafter refer to as "R. & H." I found further that I. M. Meekins, general counsel for the Alien Property Custodian, was urging that all of the companies involved be ruled to be affiliated and therefore entitled to join in the consolidated returns. Meekins had written a letter, or memorandum, to Commissioner Blair, requesting that the question be taken away from the Income Tax Unit entirely and decided elsewhere. I was at a loss to understand Meekins' interest in the case, in view of his position with the Government, and concluded that he had his own ends to serve in the matter. This made me suspicious of the case at the very outset.

Now what has he said thus far? Here is a case where the commissioner gets a letter from an attorney, I. M. Meekins. Who was I. M. Meekins? He was in the employ of the Government at that time. He was attorney for the Alien Property Custodian, and while drawing a salary from the Government as such attorney was acting as attorney for a private party before the Income Tax Division in order to get a return of money. That may not mean anything; that may not be out of place in the minds of some people, and I may be entirely wrong when I condemn that kind of a practice. I may be entirely in error when I say that is wrong, and I may be entirely in error when I say that were it not for secrecy it would not occur; that a man while acting as attorney for one governmental department would be defending a private corporation having an interest against the Government before another department of the Government. Senators may square that if they want to, but that would not happen if public business were conducted in the open light of day. I will read on. There is more about this case. This man Hickey under oath says:

I studied the facts in the case and the arguments for affiliation advanced by the representatives of "R. & H." in a very elaborate and exhaustive brief, and after three or four days wrote an opinion fully covering all points raised by the taxpayer and reaffirming the original nonaffiliated ruling of June 3, 1920.

Now, remember before he got the case it had been ruled that they could not affiliate. He looked it up as a lawyer and upheld that opinion, and likewise said that they could not affiliate. Now, listen to what happened:

I submitted my opinion to Mr. H. L. Robinson, my chief, telling him of my conclusions and remarking that the case was not even "close," as the minority interests were so very large. He said: "I know it; you are right; but we are going to have to give it to them," smiling at me in what I took to be a significant manner. This confirmed my suspicions, which had been aroused by the I. M. Meekins communication referred to.

As shown by the record, Robinson sent this case to L. E. Rusch, then assistant chief of the consolidated returns subdivision, calling Rusch's attention to my "dissenting opinion"—

In fact, it was not a dissenting opinion. He puts the words "dissenting opinion" in quotation marks. He simply approved in his opinion what had been decided before it was given to him—

and requesting Rusch to instruct him on the way the case was to be ruled.

While it is to be noted that Rusch gave no written instruction, so far as the record shows, an auditor named J. B. Krop ruled all of the corporations affiliated, regardless of the facts in the case and the established interpretation of the controlling statutes, writing the taxpayer under date of April 8, 1922, to that effect and also advising that the original—and unlawful—ruling of June 3, 1920, was revoked. When this improper ruling came through to my desk in regular routine for review, I recalled what my chief had told me and felt that protest upon my part would be futile, as I was comparatively a new man in the subdivision. I therefore made sure that my "dissenting" opinion was still among the papers in the case to protect myself, and signed the work record and the ruling forms as reviewer. (In Exhibit E, p. 3535, "hearings," the commissioner ordered "special consideration"—

The words "special consideration" are in quotations—

to Meekins.)

At that time the rule of the affiliations section was to require 95 per cent ownership or control of stock by the same parties and in substantially the same percentages, except where there were strong reasons for slight relaxation, the principal one of such reasons being unity of action and frequent intercompany business relations with only small minority stockholdings and those in the hands of minor employees. In the "R. & H." case the minorities totaled over 40 per cent in one of the companies improperly admitted to the consolidation, and nearly 50 per cent in the other company so admitted. No amount of intercompany transactions, regardless of the character thereof, could possibly overcome the obstacle to affiliation constituted by the large minorities; and besides, Germans and British, who had been at war with each other, were the holders of these minority interests. The years covered by this ruling were 1917, 1918, and 1919.

This case impressed me as a definite and direct fraud upon the Government. It set a very bad precedent and was heard of outside of the unit, as well as discussed therein. On several subsequent occasions, L. E. Rusch, assistant chief of the subdivision, volunteered the comment that the ruling was wrong, thus confirming my conviction that the authority for it had originated higher up than he. It now appears that the Government was, in fact, defrauded out of $671,409.13, from testimony in the hearings before the Select Committee on Investigation of the Internal Revenue Bureau. (See bottom of p. 3521 of the published "hearings.")

In this connection reference is made to a news story—

Mr. Hickey says frankly that he is giving a quotation from a newspaper appearing about this time—

In this connection reference is made to a news story appearing on the front page of the Washington Herald, issued November 10, 1925, under the caption, "United States questions Meekins's $40,000 fee."

Remember who Meekins was. Meekins was attorney for the Alien Property Custodian, drawing a salary from the Government and appearing against the Government in this tax case in behalf of this chemical company.

This article, after discussing cases of alien insurance companies in which Meekins received fees, although an official of the Government, takes up the Roessler & Hasslacher Chemical Co. case and recites that, due to Meekins's activities therein, in conjunction with Treasury Department officials, taxes of the companies permitted to consolidate their income and profits tax returns were cut $700,000.

The newspaper article goes on to state:

"Attorneys for the companies offered to split the $100,000 fee received for this work with Judge Meekins, allowing him one-third, or $33,333.

"Meekins states that he felt that sum too high, but that he did receive $20,000."

Incidentally, Mr. Meekins is now a Federal judge in North Carolina.

Mr. President, of course we have nothing but the affidavit of Mr. Hickey and nothing but the newspaper report. He does not pretend to say that that is true, but he tells us where we can find out the facts; he gives us the dates of the newspaper article and the name of the newspaper, so that we can look it up, if we want to, where this statement is made that Mr. Meekins got a fee of $20,000. I presume if he got that fee of $20,000 while in the employ of the Government there was some statute of the United States that he violated and that that newspaper is subject to legal action if that newspaper account is not true. It is disclosed, however, that in this secret tribunal a man drawing a salary from one bureau was acting as attorney for private parties against the Government in another bureau. Do Senators suppose that would go on very long if we had publicity? Do they suppose if there was no opportunity to keep such practices secret that that would continue?

Continuing with the Roessler & Hasslacher case, Mr. Hickey says on page 12 of his affidavit:

Returning now to the Roessler & Hasslacher Chemical Co. case: In October, 1923, this case came up for a ruling on affiliations for the years 1920 and 1921. James K. Polk, jr., ruled that the two companies with the large minority interests heretofore mentioned were not affiliated for these years. He also reopened the case for the years 1917, 1918, and 1919 because of the manifestly illegal ruling previously

made on those years, and reinstated the original legal ruling that these companies were not affiliated. Polk wrote a letter notifying the taxpayer of his action.

After the taxpayer received this letter from Polk, his section chief, Mr. F. R. Leary, and Polk were summoned to the office of Deputy Commissioner Bright. This conference was also attended by Mr. Everett Partridge, an agent of the special intelligence unit of the Treasury Department, and Lawrence A. Baker, of Baker & Baker, attorneys for the taxpayer.

Mr. Partridge was introduced to Mr. Baker by Mr. Bright as "the auditor on the case." After being questioned by Bright, Mr. Polk was excused from the conference, the others, however, remaining. Bright had told Mr. Polk that as a matter of policy he should not have reopened the case for the years 1917, 1918, and 1919, and that it would have to stay closed for those years. When Mr. Leary returned to his section from this conference he told Mr. Polk that Mr. Bright had ordered that this case be held in abeyance as to the years 1920 and 1921, pending instructions from Bright.

The law provided for affiliation, as heretofore stated, only where the parent company owned or controlled substantially all of the stock of the subsidiaries, or where substantially all of the stock of the companies under consideration was owned or controlled by the same interests.

The decisions of the authorities of the bureau had been to this effect; and if cases were ruled otherwise, they were contrary to the authorities. * * *

On or about January 15, 1924, we affiliators received notice that a Solicitor's Opinion No. 154 had been written and that this opinion reversed the interpretation of the word "control" in the statutes governing affiliations, and that thenceforth a "more liberal construction of the statute was to be followed." Instead of the proper interpretation, "legal control," so-called "moral" or "actual" control, was thereafter to be recognized.

On January 16, 1924, I wrote Commissioner Blair, protesting that this opinion "was contrary to law and was further evidence of the corruption which I allege then existed in the unit." I demanded its recall.

On January 19, 1924, all the unit auditors working on affiliations were summoned to the office of L. T. Lohmann, head of "Consolidated." Lohmann officially informed us of the issuance of Solicitor's Opinion 154 and said that thenceforth we were to operate under it. Mr. Polk immediately asked him whether we were "to throw out the statute and regulations and use Solicitor's Opinion 154 alone, or whether we were to try to interpret the statute and regulations in the light of Solicitor's Opinion 154." Mr. Lohmann hesitated for a moment, and then said he would look that question up and let us know.

In reply to my inquiry Mr. Lohmann stated that he and Mr. Bright had been instrumental in securing the issuance of the opinion under discussion. I asked him when it would become effective. He replied that if no protests were made within 10 days it would then be published and become the rule. I told him that I intended to protest it. He demanded to know if I dared protest an opinion signed by the solicitor and commissioner. I told him that in fact I had already protested it. Lohmann pounded his desk and said:

"Do you mean to tell me you have gone over my head?"

"Why, certainly," I replied; "you're one of the men whose motives I question in this matter. I claim this thing is not on the level."

Scarcely anything more was said, and the meeting adjourned almost immediately. In leaving Lohmann's office, it was discovered that a stenographer had been placed just outside the door in a position to take down what had been said.

A day or so after the issuance of Solicitor's Opinion 154, Deputy Commissioner Bright called Mr. Leary, chief of section A, on the telephone and told him to allow affiliation to all companies associated in the Roessler & Hasslacher case, for the years 1920 and 1921.

It was evident that Mr. Bright was keeping in close touch with this particular case.

Mr. Polk advised Mr. Leary that a conference regarding the years 1920 and 1921 had been set for February 1, and he suggested that action in the question of affiliations be deferred until this conference was held. Mr. Leary thereupon secured Mr. Bright's consent to this delay. At the conference, Mr. F. A. Linzel, ranking conferee, ruled one of the contested subsidiaries affiliated and the other one not affiliated. Mr. Polk, junior conferee, dissented, claiming no distinction could be made between these companies.

On February 9, 1924, Nelson T. Hartson, Solicitor of Internal Revenue, personally stated to me that "it was absurd" to allow affiliation to either of the two contested companies in this case in any year in view of the facts.

Later, after a hearing on Solicitor's Opinion 154, and an order from the commissioner rescinding and suppressing that opinion, Mr. Linzel's ruling was revoked and the two contested corporations were ruled "not affiliated" for the years 1920 and 1921. The illegal ruling for the years 1917, 1918, and 1919, however, was permitted to stand, by Bright's orders, costing the Government $671,409.13 by fraud.

Mr. President, it may be said that everything that Mr. Hickey has said there is untrue. I do not know anything about it except his affidavit. I have met the man. I have heard the commendatory things said about him by the chairman of the committee. He was in the employ of the Government for a good many years. He resigned, and is engaged in the practice of law in this city now. He could be summoned at any time before any committee of the Senate; but what he said, as far as I know, has not been disputed. In connection with these facts that he has alleged he has given dates, he has copied memoranda, he has quoted newspaper articles, he has given the orders that were made on certain dates, and has stated by whom the memoranda were signed. They must all be there, in that secret chamber, unless they have been destroyed. It can be easily found out whether he is telling the truth about such things, or whether what he says is false.

Let me read a little more of it. Let me take up another case.

On page 18 of this affidavit, after referring to several other things that I have not read, Mr. Hickey says:

At the very outset, however, I wish to emphasize that H. L. Robinson, my chief, frankly told me that irregularities were being put through the unit by way of his section. The following is what was said on that occasion, in October, 1923. (I had been protesting to him against action taken in the Little Estates Corporation case and action then being taken in the case of the American Lumber & Manufacturing Co.):

"Mr. ROBINSON. The higher-ups just have to have some things done which do not look right but which they can not explain to us, and we subordinates should be good soldiers and follow orders."

"Mr. HICKEY. I do not subscribe to any such doctrine, Mr. Robinson."

"Mr. ROBINSON. Well, Dan, I am an older man than you are, and it has been my observation that the successful men in life are those who display a disposition to work with other men."

"Mr. HICKEY. Well, if by success you mean dirty dollars, and if by working with other men you mean indulging in unlawful practices, I guess you are right; but you and I will have to travel different paths hereafter, for we divide at this point."

Mr. Robinson was the first person to tell me about the improper ruling for the year 1917 in the Mellon National Bank case. He said it was "ridiculous" to hold that the three banks in question were not in the same or a closely related business.

I mentioned that the other day, and got an idea just exactly contrary to what actually took place in the case itself. As he says, Robinson said it was ridiculous to hold that the three banks in question were not in the same or closely related business. I was under the impression that they had asked to be affiliated, when, as a matter of fact, they were taxed separately; but, as a matter of fact, they were taxed separately and saved a whole lot of money by being thus taxed.

After I had made the statement, and the Senator from Pennsylvania [Mr. REED] had likewise made a statement that showed that he was in error as well as I was, I had a letter from Mr. Hickey in which he put the thing right, I think. I send it to the desk, and in order to get the matter right in the RECORD, I ask that the letter, except the last paragraph—I do not care about that being read, because that is a personal matter—may be read.

The VICE PRESIDENT. In the absence of objection, the letter will be read.

The Chief Clerk read as follows:

WASHINGTON, D. C., *February 1, 1926.*

MY DEAR SENATOR: Just to keep the record straight, I request that you read this letter to-day in the Senate.

I noticed you read from my affidavit relative to the consolidated return of the Mellon National Bank, the Union Trust Co., and the Union Savings Bank.

Senator REED of Pennsylvania says that this is a perfect example of the companies which should be consolidated. Senator REED is exactly right. They should have been. But they were not consolidated for the year 1917 and therein the Government was defrauded of this sum of money, $91,472.37. Senator REED makes just my argument and the argument the Treasury Department denied when the department agreed with Mr. W. A. Seifert, attorney in this case. I am happy to have Senator REED on my side.

The facts are these: The consolidated return section of the law is practically the same in 1918 that it was under the regulations of 1917. In 1918 and subsequent years the companies filed a consolidated return. The only difference between the 1917 rule and the 1918 rule was that under 1917 the companies must be in "the same or a closely related business."

Mr. Seifert contended that these companies were not in the "same or a closely related business."

Now, Senator, the solicitor held many times this law meant "the same or a closely related line of business." These companies never disputed that interpretation and neither did any other company.

Then Mr. Seifert claimed these companies were not in a "closely related line of business."

And the Treasury Department agreed with him. I am glad to have Senator REED of Pennsylvania expose this also. Certainly he is right. These companies should have been consolidated. If they had been, they would have paid the Government $91,000 more taxes than they did pay.

If there is any Senator who believes or will contend for one moment that these "companies were not in a closely related line of business," I can make no further argument. Even Senator ERNST, certainly not an opponent of the Treasury Department, tells in the Senate committee hearings how closely related is the business of banks and trust companies. Of course Senator ERNST is right.

Now that Senator REED agrees with me, and I commend him, then I must differ with him on another point. I was not a discharged employee. Even though I reported about a dozen cases of fraud to the commissioner, even though the intelligence unit agreed with my representations, even though in several of these cases the solicitor agreed with me, the men who perpetrated these frauds were kept in their high positions, and I was transferred to the estate-tax division. They did try to get me out of the way, but they did not dare to fire me. I resigned in good standing and with commendation from my superiors. Senator REED will be glad to know that he agrees with a man with that kind of a record in the bureau.

But to return for a moment to the Mellon bank case.

You will note these facts: Mr. W. A. Seifert handled this case for the companies. The companies had themselves filed a consolidated return for the year 1917. The bureau had agreed with this. The company, or, rather, Mr. Seifert, came in later and insisted that the company should not be compelled to do that which it had done of its own accord and rightfully done.

You will notice that Mr. Seifert's communications in this case were addressed always "Attention Mr. Rusch." Mr. L. E. Rusch was then the assistant chief of "Consolidated" and was the active head of it, so far as directing work is concerned. It was then through Mr. Rusch, or to Mr. Rusch, that Mr. Seifert made his claims and got them. You will note also this ruling was made even before Mr. Seifert filed a brief in the case. His brief was filed after the ruling.

You will note in the affidavit, then, that not so many months later Rusch resigned, the same Rusch. He appeared 13 days later in the George Bros. case, associated with Mr. Seifert, the same Mr. Seifert. They were the attorneys in that case. What did they do there? Why, they got the George Bros. case, which was in its rightful place, transferred to consolidated corporation audit section on a trumped-up claim of consolidation. The claim was quickly kicked out, and although the rules and procedure required such cases, as I show in my affidavit, to be returned to their proper place, these returns were retained in the consolidated and audited there. In other words, Mr. Rusch gets this case handled by his former subordinates.

And what was the ruling in this case?

The ruling was that earnings of this corporation, distributed in strict accordance with stock holdings, distributed regardless of any showing that any man had done more work than another, or better work, or more important work, were distributions of salaries instead of dividends. Again this decision was a reversal of all rules and procedure. The Government lost more than $150,000 in this case as a result of this decision.

This was the same Mr. Rusch and the same Mr. Seifert who worked in the Mellon bank case, although then Mr. Seifert was on the outside and Mr. Rusch was on the inside.

I know Senator REED will agree with me here also. Really, I am very hopeful, now that he has agreed with me in the Mellon bank case, that he will see that these cases are reopened, the money restored to the Government, and the guilty participants in these cases shall be punished.

You may read any portion of this into the RECORD you desire. I think some of it, at least, should be read in to keep the record straight.

* * * * * * *

Yours sincerely,

DANIEL F. HICKEY.

Mr. REED of Pennsylvania. Mr. President, will the Senator yield for a question?

Mr. NORRIS. I yield for a question.

Mr. REED of Pennsylvania. I am curious to know what we are going to do about it. The wicked theory which prevailed in behalf of the Mellon bank, and ended in practically abstracting $90,000 from the Government in a refund, is the same theory which the Senator from Nebraska defended with his usual eloquence on the floor of the Senate the other day. I, who did not know anything about the case, took the view that Mr. Hickey took, and I thought these companies were consolidated. But the Senator from Nebraska made such a powerful argument that he overwhelmed me, and he proved that they should not be. Now I understand that the proposition he proved the other day to my discomfiture is the thing that was guilty when Mr. Seifert proved it in the Treasury Department. It seems to me very strange, if the Senator from Nebraska proves their proposition, and I, who am a champion of sin, have proved the proposition of Mr. Hickey?

Mr. NORRIS. Is the Senator through with his question?

Mr. REED of Pennsylvania. That is the question.

Mr. NORRIS. Mr. President, it is peculiar that the great Senator from Pennsylvania was mistaken. It is not peculiar that I was. As a matter of fact, I stated at the time that if I had an opportunity to examine the charters of those banks I might completely change my mind; that I had not made up my mind; that I might disagree with the man who I supposed had said they were not affiliated. As a matter of fact, he had not said that. I was mistaken when I said that. I did not express any opinion as to whether they ought to be affiliated or not. I simply called attention to what I believed to be the fact—that the man making the affidavit had said that they ought not to be affiliated, or that they ought to be affiliated; it makes no difference whichever way it was; that it was not necessary, for the purposes of the illustration, to either agree or disagree; that the fact was, however, that I misstated what he said were the facts. Hickey had said that these banks ought to be affiliated in making their returns; that their business was just the same. I said I could not tell whether they were or not unless I examined their charters. The Senator from Pennsylvania said:

> This is on all fours, a case that illustrates the point. They ought to be affiliated.

Yet it seems that his law partner convinced the fellows up in the department that they ought not to be affiliated, and, incidentally, it happens that by that kind of a proof, the Mellon interests make something over $100,000. That just happens incidentally.

Whether that is right or wrong, whichever way is right, is it not just a little bit embarrassing for us, citizens of this country, that the interests of a man occupying the high position of Secretary of the Treasury should be passed on in a secret tribunal, before men who are in his own department, who are subject to his rule and his control, passing upon financial matters where he has hundreds of thousands of dollars involved? Is not that just a little bit embarrassing? Is it not just a little embarrassing to say that our Secretary of the Treasury, in his own department, is getting a refund here or being relieved from taxation where he ought to be taxed, by these secret proceedings? Is not that true, even though we admit that he is holy and pure from head to foot? Is it a little embarrassing that we have a law that would give the Secretary of the Treasury the personal right to appear, or his corporation to appear, demanding a refund of taxes, or demanding a change in taxation, demanding that these three banking institutions should not be affiliated, although they are owned by the same people, and his own subordinates must pass on it? Would it not be more honorable, and would not the people of this country have more respect for our Government, if that question could be passed on by the public?

Is our Secretary of the Treasury the kind of a man who will insist that we pass a law enabling his corporation to appear before himself in secret? If his subordinate, if his office, are to pass on his personal financial interests, let them do it in the open sunlight.

Mr. REED of Pennsylvania. Mr. President, will the Senator yield?

The VICE PRESIDENT. Does the Senator yield to the Senator from Pennsylvania?

Mr. NORRIS. I yield.

Mr. REED of Pennsylvania. The Senator has been patient, but I am going to ask him to yield once more, because this is a personal matter to me.

Mr. NORRIS. Very well.

Mr. REED of Pennsylvania. The Senator spoke of my law partner presenting a tax case.

Mr. NORRIS. I do not intend to cast any reflection on the Senator.

Mr. REED of Pennsylvania. I would like to make the matter clear.

Mr. NORRIS. Very well; I will be very glad to yield to the Senator.

Mr. REED of Pennsylvania. That is a subject which has sometimes been mentioned. I am practicing law, in addition to my work in the Senate, but it is not only bad taste, it is a felony, I understand, for a Senator to practice in the departments. Consequently, when I came to the Senate in 1922 I

severed all connection with any practice in any Government case or with any practice in the departments. I do not share in any such work. I do not even know what work is carried on by my associates in Pittsburgh, and I would not want the statement to remain unchallenged or allow the inference to be drawn that I was so engaged.

Mr. NORRIS. I want to say to the Senator that I did not want to draw any such inference and I did not cast any such reflection.

Mr. REED of Pennsylvania. I know the Senator would not.

Mr. NORRIS. And I very gladly yield to the Senator to make the explanation.

Mr. REED of Pennsylvania. It is an embarrassment that all of us who are lawyers have to be on our guard against.

Mr. NORRIS. I certainly did not want to cast any reflection or make any intimation that the Senator is getting any personal gain out of anything of this kind, because he happens to be in partnership with a man who appeared in this case.

That is not all about Mr. Mellon. It appears that Mr. Mellon had a personal claim, either for a refund or some change in what was being done there, and let us see what happened to that. It seems that not only were these Mellon corporations permitted to make separate returns when this man under oath says under the law and the rulings they ought to have been consolidated, but it appears that Mr. Mellon had a financial interest of something over $100,000——

Mr. COUZENS. Ninety-one thousand dollars.

Mr. NORRIS. Ninety-one thousand dollars, and it does seem queer that this action should have been taken in secret. It seems to me that the great Secretary of the Treasury ought to be glad to welcome full publicity of his cases that are pending before his own subordinates. Otherwise it would necessarily lead to suspicion, however wrong it may be. But in this case it appears that at least on the surface this action, returning this $91,000, making a difference of $91,000 in favor of the Mellon Union Trust Co., was illegal; it was wrong. They held that these three banks should not be affiliated. That relieved them of $91,000 in taxes. If that is right, it ought to be done in public. It ought to be done openly and aboveboard, and nobody ought to be more anxious to have it done that way than Mr. Mellon himself.

It seems that Mr. Mellon had a personal income tax to pay—of course a very large one; one of the largest in the United States. His return was sent where it did not belong. It was sent to this consolidated division, which I described at the very beginning when I commenced to consider the Hickey matter. That was the division that seemed to have handled all cases, he says, in which it seemed that there was some particular reason that it should not go through its regular channels. Mr. Mellon may have been assessed erroneously; he might have been entitled to a refund or a reexamination or a reconsideration of his tax return; he may have made a mistake when he made his return by which he overcharged himself. I concede all that. He had the same right that anybody else ought to have to have it rectified if he made any such mistake. But he did not have the right to ask that when that came up it should go through a favored course. It should have gone to the same place where the return of the Senator from Tennessee [Mr. McKELLAR] would go if he made such an application. It should have gone before the same tribunal that would try me if I went there. But it did not.

Mr. REED of Pennsylvania. Was that before or after Mr. Mellon became Secretary of the Treasury?

Mr. NORRIS. I do not know. I do not think Mr. Hickey states in his affidavit whether it was before or afterwards. But he says it did go there. It went to this consolidated unit, which had nothing to do with personal income-tax returns. It did not belong there. They audited it. They passed upon it. They gave judgment on it.

Is it not just a little humiliating in our country that that should occur; that apparently a special favor should be granted to the man who is the head of a department in which all these officials are acting? But that is what Hickey under oath says happened. I do not know. He swears to it. I do not want to be understood as saying that Mr. Mellon should not be entitled to the same consideration as any other person.

But if through ignorance or for any other reason when he made out his personal tax return he made a mistake against himself and wanted to get the money back, then there ought to be the same procedure applied to his application that would be applied to any other citizen's application. It seems that before this consolidated unit there were others besides Mr. Mellon's personal return considered. This man says under oath that the cases of the estate of J. W. Cannon, of Concord, N. H.; H. C. Frick, and John C. Leslie were likewise sent wrongfully to this subdivision. It is a little peculiar that the man J. W. Cannon was the father-in-law of Mr. Blair, the Commissioner of Internal Revenue. It does not necessarily follow, I concede, that there was anything wrong anywhere; but, mind you, this was all secret. Nothing of this was known by the public. From the affidavit it would appear that at least a favorable consideration more than goes to the ordinary person's return was given to these individuals. That would not have happened if we had had publicity.

Mr. McKELLAR. Mr. President, will the Senator yield?

The VICE PRESIDENT. Does the Senator from Nebraska yield to the Senator from Tennessee?

Mr. NORRIS. I yield to the Senator from Tennessee.

Mr. McKELLAR. The Senator will recall that shortly after Mr. Mellon took office the Gulf Refining Co., known as one of the Mellon companies and in which he was a very large stockholder, had a refund of $3,300,000. A day or two ago I read of the case of the Koppers Co., which is another Mellon company, that had had more than $2,000,000 refunded, and a number of refunds amounting to $100,000 each, though I think the usual amount was about $500,000, were made to the Aluminum Co. of America, another well-known Mellon company. I think the Senator is right that where the Secretary of the Treasury is thus largely financially interested in these great corporations and refunds are made in these enormous sums—they may not be enormous to some people, but looked at from my financial standpoint they seem quite enormous—that at least the Secretary should have demanded of the Congress that the fullest publicity be given so that no one could doubt for a moment the good faith in making these enormous refunds.

Mr. REED of Pennsylvania. Mr. President, will the Senator from Tennessee, before he sits down, tell us whether it is not true that the Gulf Refining Co. refund was made before Mr. Mellon was Secretary of the Treasury and when Mr. Houston was Secretary of the Treasury?

Mr. McKELLAR. I shall be very glad to state just what the facts were about that. The application was made prior to the time Mr. Mellon became Secretary of the Treasury, as I recall, in January or February, 1921, when every employee within the Treasury Department knew that Mr. Mellon was going to be the head of that department. Of course, I may be mistaken about the exact dates, but the fact is pretty well fixed in my mind that Mr. Mellon went into the Treasury Department on the 4th of March, 1921, and on the 30th of April, less than two months afterwards, a check for $2,337,000 was given to the Gulf Refining Co. I do not know anything at all about the matter except these facts, and nobody else can find out anything about it, unless a committee of Congress were sent down to examine some of the specific matters involved.

Mr. GLASS. Mr. President, I want to inquire if it has been ascertained or charged that the refund was wrongfully made?

Mr. McKELLAR. No; but it is a remarkable thing.

Mr. GLASS. What difference does it make whether it was under Secretary Houston or Secretary Mellon or any other Secretary? If it was right, it was right; if it was wrong, it was wrong.

Mr. McKELLAR. Nobody knows. It was done in secret. The Senator from Virginia does not know, and I do not know, and no other Senator knows whether it was a proper refund or not. It was done in secret. It was done by those who were under the direction of the head of the department.

Mr. REED of Pennsylvania. Was it not approved by Mr. Roper, the Commissioner of Internal Revenue?

Mr. McKELLAR. I do not know whether that is true or not.

Mr. REED of Pennsylvania. He did not expect to stay on under Mr. Mellon.

Mr. McKELLAR. That was one of the very large refunds made in 1921.

Mr. GLASS. No; it was not done under Mr. Roper; it was done under Mr. Williams. But what difference does it make under whom it was done? If it was right, it was right; and if it was wrong, it was wrong. If anybody has any charge to make, let him make it and let us investigate it and ascertain the facts.

Mr. McKELLAR. How can it be investigated when no one has the right to examine any of the returns or any of the settlements?

Mr. REED of Pennsylvania. The charge is made, or the implication is made, that if any money is paid to any company in which Mr. Mellon is interested at any time since he has been Secretary of the Treasury there is suspicion that something dishonest has occurred.

Mr. NORRIS. I do not make any such charge, either directly or indirectly. I do say that it seems to me to be just a little humiliating that here we should have an affidavit of a man

who has been in the employ of the Government who says that Mr. Mellon's personal taxes were not considered by the regular unit that should have considered them. He says, furthermore, that they had to reverse what everybody conceded to be a fair ruling as a matter of law in order to save those three banks from paying something like $91,000 in taxes. It may be that this lawyer Hickey is not telling us the truth in his affidavit; but if it be true as he has outlined it, it seems to me that it is a sad commentary on the laws of Congress that the very head of this great financial part of the Government should in secret have claims in which he is interested passed on in an irregular way. I do not know whether they were right or whether they were wrong. Publicity would have cured it and there would not have been any trouble.

Contained in this affidavit is a description of the Little Estates Corporation of New York. Mr. Hickey said in relation to that matter:

The Little Estates Corporation case, New York City, is the fourth of the cases to which I refer on page 27 hereof as supporting my argument that L. E. Rusch, while still an employee of the bureau, forced subordinates to grant concessions improper in character to tax practitioners with whom he proposed to be associated immediately after his intended and impending resignation from the bureau.

Early in 1922 the Income Tax Unit ruled that the Little Estates Corporation, J. J. Little & Ives Co., and the St. Nicholas-Seventh Avenue Theater Co. were not affiliated during the years 1917 to 1920, inclusive, and therefore were not entitled to join in consolidated returns. The taxpayer subsequently objected to this ruling.

Here is a case where it was to the interest of the taxpayers evidently to have affiliation and they wanted it. Some of those corporations evidently had lost money, and by affiliation they could offset those that gained against those that lost. In the Mellon case it was to the interest of the taxpayer that there be no affiliation, because I presume all the corporations made a lot of money and if they were affiliated the tax would go up into the higher brackets, and, of course, they would have to pay a higher tax.

An unusual number of conferences were granted this taxpayer to begin with, at each and all of which, however, the bureau's original ruling was reaffirmed.

Finally at, perhaps, the last conference, the taxpayer's representative, who was associated with George V. Newton, former deputy commissioner in charge of income tax, explained to the conferees on the case that while he understood their position in denying affiliation in view of the bureau's interpretation of the law, still, since his principal, Mr. Little, was paying him and insisting that he make repeated visits to Washington in the matter, he had no choice but to keep agitating the question. The representative went on to say that Mr. Little was a clubman in New York, and that in discussing this income-tax case with fellow club members he had been assured that he could get whatever he wanted from the Income Tax Unit, provided he "got the right man."

The records of the case disclose that the field officer had no little trouble with these people in trying to ascertain certain of the facts essential to a correct tax computation. This fact, taken with the taxpayer's insistence, might be said to constitute an indication of what reasonably could be expected in efforts to evade taxes.

In September, 1922, George V. Newton, himself, wrote a letter addressed to the commissioner stating that, as the authorized representative of the taxpayer, he protested the bureau's ruling on the question of affiliation, and requesting that the case be sent to the committee on appeals and review. But either Newton saw his mistake himself or some one in the "Consolidated" pointed it out to him, for the case never was sent to the committee until I reported it to the commissioner, because of the fraud perpetrated in it. The published rulings of the committee plainly were unfavorable to the taxpayer's case, and he could hope for no relief in that quarter.

Shortly after the receipt of Newton's letter, therefore, L. E. Rusch summoned a prominent affiliator to the office of the chief of the subdivision for whom Rusch was acting at the time. He showed the schedule of stock ownership in the three corporations to this young man and asked him what he thought of the taxpayer's case.

The affiliator called Rusch's attention to the large minority interests and material divergencies in the ownership of the stock by some of the persons interested in more than one of the corporations; and he told Rusch that the bureau's ruling was plainly correct. Rusch thereupon told this young man to leave the case with him—Rusch. At this time Rusch was assistant chief of the subdivision. His discussion with the affiliator, and activities in the case shortly thereafter, quite definitely establish his "personal knowledge" of the case while in the bureau. He personally dictated the impropriety committed.

It transpired that, following his talk with the affiliator, Rusch carried this Little Estates Corporation case to the office of H. L. Robinson, then chief of the affiliations section, and asked Robinson to look it over within a day or two and see what he thought about it. When Robinson looked into the affiliations, he at once decided, as he himself stated to one of the conferees on the case, that there was no merit at all in the taxpayer's contention. So he laid the case aside on his desk. Rusch called upon Robinson in the latter's office after a few days and reminded him of the case, asking what Robinson thought about the bureau's ruling. Robinson told Rusch there was nothing to the case and that (quoting Robinson), "We can't give it to them." Whereupon Rusch replied, "You'll have to give it to them; do as you are told." This was only a short time before Rusch resigned.

Robinson turned this case over to the same auditor who made the improper reversal in the Roessler & Hasslacher Chemical Co. case, telling this auditor that, while he (Robinson) didn't agree with Rusch's position, they had to be "good soldiers" and follow orders.

A letter was written the taxpayer under date of November 23, 1922, advising that the original ruling was revoked and affiliation allowed. The conferees on the case discovered the carbon copy of this letter and protested to Robinson, his chief, who thereupon confessed the facts. Much indignation was manifested among the conferees of the section.

On April 13, 1923, after the affiliations section had been abolished and H. L. Robinson made chief of audit section B, with a group of affiliators assigned to him (including myself), the case came to our section in the routine. The taxpayer had filed a protest about some audit matter, but L. J. Potter, an able and indignant affiliator, seized upon the opportunity to reopen the case as to affiliations and reinstated the original and legal ruling, writing the taxpayer to that effect. Rusch had in the meantime resigned on October 31, 1922.

If this man tells the truth in his affidavit, here is what had happened: This case had been acted upon; they had decided it wrongfully, if he is correct, against the Government and in favor of the taxpayer; but the taxpayer, not satisfied with what he was going to gain out of that, thought that he could get a little something on a technicality of a different nature, and so he made application to the man before whom it came, knowing of the wrong which had been committed against the Government in reversing the rightful and honest ruling that had previously been made. He seized upon the opportunity allowed by the claim to reopen the whole case and thus get it back again. That is where it is now.

On April 24, 1923, 11 days after Mr. Potter's reinstatement of the original ruling on affiliations, Rusch, the very man who had coerced Mr. H. L. Robinson into reversing the original ruling while he (Rusch) was an official of the bureau, came into Mr. Robinson's office, against the rules of the subdivision, and made him reinstate the illegal ruling. Mr. Robinson had Mr. Potter do the necessary work in this corrupt transaction; but Mr. Potter made a notation on the work record ruling forms to the effect that the proceeding was not in accordance with the facts, law, or regulations. Robinson detected these notations on the ruling forms, and had new forms made out, but Mr. Potter's protest on the work record was not discovered, and still stands to his credit.

If this man's affidavit is true, what he states here is there now on the record. He states the notation was made, and whether it is true will be shown on the record.

In this case by this ruling of Mr. Potter, seizing upon this opportunity to reopen it, he saved the Government over $56,000.

Now I am going to read about another case which this man describes:

The case of the National Refining Co., Cleveland, Ohio, is next in order for discussion because of the fact George V. Newton also had something to do with this case, as shown by notes therein made by one or more employees of the natural resources division where the case went in regular routine and where it properly belonged. Also, improper action was taken on it by H. L. Robinson, chief of section B, at just about the same time that Rusch came back into the unit and had Robinson reinstate the corrupt ruling in the "Little Estates" case for Newton. Bright and Lohmann played their parts in this "National Refining" case, as already related on page 23 hereof.

In this case the bureau on December 17, 1920, ruled that 8 or 10 companies associated with the "National Refining" were affiliated within the meaning of the acts, but that two certain corporations were not affiliated with the others, and therefore should be excluded from the consolidation for tax purposes. This ruling stood for over two years, and was eminently correct from every standpoint.

On or about April 2, 1923, J. G. Bright, then assistant deputy commissioner, directed this case to be sent to L. T. Lohmann, who had succeeded him as assistant chief of the "consolidated," for reconsideration of the question of affiliations. Mr. A. H. Fay, head of natural resources division, where the case had been and where it belonged, put a memorandum in the case explaining his unusual action.

Now they are sending the case where it does not belong; they are doing it in secret. They could not have done such a thing in the open light of day. They would not have sent this case to the wrong place if it had not been that it was all shrouded

in secrecy. They never expected the public to find it out. The very fact that the case is sent where it does not belong under the rules is an indication that things are not right. It does not follow that the case has not merit; it does not follow that the taxpayer in the case is not entitled to everything he is asking for on that ground; I admit that; but it does follow that because of this secret method of doing the public business there is great opportunity, at least, for fraud; and there never was an instance in the history of civilization where the opportunity afforded by a secret method of doing governmental business extended over many years but that fraud actually took place. It is just as natural as the rising and setting of the sun.

In due course—

I am going back again to this case—

Mr. Robinson, of section B, received this case and ordered one of his affiliators to allow affiliation to the two companies originally excluded. The affiliator knew this action was illegal; but employees of the Income Tax Unit feel that if their superiors desired to be crooked and run the risk of punishment that is entirely a matter for the superior. So this affiliator did as he was told; but he made a notation on the work record stating that this action was by order of his chief of section.

You can find out whether this man's statement is corroborated or not by examining the record. He said that this man knew that he was asked by his superior officer to do an illegal thing, and that he made a notation on the record itself that he did it because he was commanded to do it by his superior. That is down there; examine it; find out whether this man is telling the truth or not in this affidavit. I read further.

When I reported the "Little Estates" case to the authorities of the bureau, I also reported this case to Mr. Blair. It was investigated by agents of the special intelligence unit, and afterwards sent to the committee on appeals and review, by which body I was again sustained, as in the "Little Estates" and "Diamond Alkali" cases.

It is a matter of record as to whether or not he is telling the truth.

As hereinbefore stated, on page 22, there were skilled affiliators and auditors in "natural resources" where this case was being handled before it was moved by Bright's orders. All concerned knew full well that the case should be handled and audited in "natural resources," to which division it was sent—returned—after my protest on the illegal ruling ordered by Robinson had been sustained by the "committee." Why—

Asks Mr. Hickey in this affidavit—

did J. G. Bright send this case to "consolidated" to his friend and successor, L. T. Lohmann? Why did Lohmann send it to section B? Why were all these corrupt cases invariably routed into section B when there were several other audit sections in "consolidated"? Why did Robinson tell his auditor arbitrarily to change the original ruling when there was no new evidence or argument in the case? Who gave the order to Robinson? Will it be said that Lohmann, to whom the case was sent by Bright, knew nothing of this impropriety? Did Bright, the man who moved the case in the first place, know anything about all this? Wasn't this just another case where Robinson was doing things for the "higher-ups" under the "good-soldier" doctrine? Who were the "higher-ups"? Why didn't Commissioner Blair punish anybody for this corruption in this case? Does he know who the "higher-ups" are?

I am going to read another case referred to by Mr. Hickey in his affidavit:

The American Lumber & Manufacturing Co., Pittsburgh, was sent from "Natural Resources," where it also properly should have been audited, to "Consolidated." This case accompanied the "National Refining" case under memorandum dated April 2, 1923. This memorandum, like that in the "National Refining" case, was signed by Mr. A. H. Fay, head of natural resources division, was addressed to L. J. Lohmann, assistant chief of "Consolidated," and recited that by orders of Assistant Deputy Commissioner J. G. Bright, the case was being sent to "Consolidated" for reconsideration of the question of affiliations.

L. E. Rusch was the tax representative in this case. The years involved were 1917 to 1920. Prior to February 9, 1922, the unit had ruled that certain corporations associated with the "American Lumber" were not affiliated, and that they should, therefore, be denied the privilege of filing consolidated returns. On memorandum signed by William P. Bird, chief of "consolidated," on the date mentioned this case was accordingly sent to "Natural Resources" for audit, ruled "not affiliated" as to the certain companies specified. This would support my claim that the case was a natural resource case, if my claim as to that point be questioned.

As soon as Bright and Lohmann had cooperated through their official positions to get the case into the control of H. L. Robinson, chief of section B, Rusch and his employee, a Mr. Wallerstedt, began visiting Robinson regarding the case. In due course Robinson summoned Mr. L. J. Potter, who was his supervising affiliator at that time, and requested Mr. Potter to reverse the original ruling. Mr. Potter objected that this would be a very imprudent thing to do, especially as to 1917; whereupon Robinson deferred action for the time being.

After some days, however, and after Rusch's man, Wallerstedt, had again visited Robinson in the latter's office, instead of calling first at the office of the subdivision, as was prescribed by the rules, Robinson directed Potter to make the reversal which Potter opposed. Mr. Potter followed orders, noting on the case that his chief had directed him so to do. This was in the spring or early summer of 1923.

Mr. President, a very important matter is involved here—that a man was ordered by his chief to do an illegal thing. He did it according to orders, but he noted on the record why he did it. That will be in the record. Let us look into it and see. Is Hickey lying about all these things? Many, in fact most, of the statements he makes refer to records and dates by which they can be substantiated, or overthrown, as the facts may warrant when they are looked into.

By this time I had become convinced of the existence of a conspiracy to defraud the Government, because of what I had seen in other cases; so I protested to Mr. Potter that while the reversal of the old and legal ruling was bad enough for 1918 and later years, there could be no argument, however flimsy, for reversing the previous ruling on 1917, because of the absence of the word "control" in the act controlling class B cases in 1917. Potter thereupon went to Robinson and had Robinson hold up the rulings for all years again.

Rusch's man, Wallerstedt, visited Robinson again and again, and Robinson finally had him see Potter; but Mr. Potter stood fast. Just at this time—about July—Robinson went on his vacation; but before he left I heard him tell Mr. Potter not to take any unfavorable action on the case against the taxpayer until he got back.

After Mr. Robinson returned from his vacation, I looked over his "hold" cases one evening, and found that with his own hands he had made out a new ruling form allowing affiliation to the originally excluded companies for the year 1917. The next morning I called upon him and told him I was going to see if I couldn't put a stop to such improper practices, and I warned him that no matter how long the chase I would stick on the trail until convinced beyond all doubt I could bring no one to justice for his sins in such matters.

After my talk with Robinson, as mentioned, he became worried and called me in for talks about the cases to which I objected. By this time the year had progressed to about September, and it was about this time he so frankly stated that the "higher-ups" had to have some things done which did not look right, but which they could not explain, and that we subordinates should be "good soldiers" and follow orders. In the meantime this American Lumber & Manufacturing Co. case was being held in abeyance; and finally Mr. Robinson told me that it had developed that a field investigation was being made and that it had been decided to wait until the revenue agent made his report before making a final decision on affiliations. I knew then I had carried my point, and was satisfied to wait.

Before the revenue agent's report was received on this "American Lumber" case, however, I preferred my charges against Rusch in the "Little Estates" case, thereby greatly displeasing Mr. Lohmann, who had failed to heed my protest to him in the matter. My charges had the effect of making Robinson, at least, pretty careful; and when the field examiner's report on the "American Lumber" was finally received Robinson told me he saw there were no grounds for a reversal of the old ruling on affiliations and that therefore it would be allowed to stand. It was of course gratifying to realize that I had saved more money for the Government in this case, in preventing another fraud.

There are several more cases; but I am only going to read one more, Mr. President, referred to by Mr. Hickey in this affidavit. I have not had time even to read all of the cases he has cited, so I have not picked these cases out especially from the others. I have selected them practically at random.

Commencing on page 43 of this man's affidavit, he states as follows:

In the Stewart Furnace Co., Sharon, Pa., and Brown Transit Co., Cleveland, case the original ruling of the bureau was the companies were not affiliated. A conference was then held, and the conferees allowed affiliation, but stated in their conference memorandum that they had conferred with L. E. Rusch, then assistant chief of "Consolidated," and Rusch had said he had "procured" an affiliation ruling in this case.

As a refund of $147,233.93 was involved, the case automatically went to the solicitor. On January 14, 1924, the solicitor rejected the case, reversed the ruling Rusch had "procured," and sent the case back to the unit, directing that it be audited on the basis of separate returns for each company.

These cases should have gone separately to "corporation audit." However, as in other cases hereinbefore complained of, this case improperly was sent back to H. L. Robinson, chief of section B in "Consolidated." Robinson placed this with other cases marked "Hold."

A few days later Solicitor's Opinion 154, issued January 15, 1924, was promulgated. Robinson immediately ordered that the solicitor's ruling of January 14 be disregarded and the improper ruling of "affiliation," which Rusch had "procured," be reinstated. In the meantime I had protested Solicitor's Opinion 154, and Robinson had gone on a trip for a few days. While he was away Robinson's assistant, Mr. C. A. Jacquette, recalled this case, the Door case and others, thus frustrating Robinson's intent in these frauds upon the Government.

This case, with the circumstances involved, was also reported to Commissioner Blair in my charges of corruption in the unit.

That money in that case was saved by the activity of this man.

Mr. President, I have said before that this evidence is ex parte. If I were sitting in judgment either in a civil or in a criminal case, I would not expect to render judgment with the evidence that has been introduced up to this point. Of course, if no other evidence is offered, it stands undisputed, uncontradicted that these things have been going on here that I think are terrible, are humiliating to every citizen of the United States; but I admit that the evidence is ex parte. If we were trying a lawsuit, we would hear the other side, and I want to hear the other side. If you had the thing done in public, you never would have this kind of a condition coming up. The public would know about it. You would not get absolute purity of government; mistakes would happen; frauds would occur; and many inefficient actions would be brought about by reason of inefficient employees. I know that all of that is true; but these awful things that are disgraceful to our Government would not occur except behind closed doors. It can not be possible that in this great bureau, doing millions of dollars in value of business, the things would happen that have been narrated here by Mr. Hickey and that have been reported by the committee, if everything were done in the open light of day.

To my mind, Mr. President, there can be in this case, as in every other case where public business is involved, but one course of procedure, and that is that the public business should be transacted in the open light of day; and I believe that any other method pursued indefinitely will bring destruction and corruption, and, if applied to all Government activities, will bring about the ruin and destruction of the Government itself.

A republic, a democracy, is founded upon the theory that one of the pillars of human freedom is that every member of the great country is a member of the corporation, if it may be designated as such; that every citizen has an interest in the governmental affairs; that every taxpayer has the right to know not only that he is taxed fairly as compared with his neighbor but that the money he pays in taxes is expended according to law for legitimate, honest, and honorable purposes. If government is carried on in secret, however, that can not be done; that can not be known.

There is not any other end of a secret government than its own destruction. It is bound to come. The Russian Government is a sample of it. Under the old Czar, where secrecy, of course, went much farther than it is going here now—I concede that—where men were tried in secret, where human life was decided upon in secret, where property rights were likewise disposed of by secret tribunals, one portion of the people were peasants, downtrodden, practically slaves; and eventually, after centuries of that kind of secret rule, there was a revolution. Revolution always means unreasonable things, unfair things, injudicious things, and the effect will last for centuries.

The patriotic taxpayers and citizens of our country have a right to know that everybody is being treated on the same level; that every taxpayer has the same right, the same privilege of having his matters adjusted; that all public business shall be transacted according to law. That never can occur when a great portion of our governmental business is transacted in secret; and suspicions oftentimes arise where there is no justification for it. I know that; and the harm that will come from such suspicions is often as detrimental to good government as though the suspicions were well founded.

Suspicion always comes from darkness, from misunderstandings, from secret dealings. Those things always arouse suspicion, even though there is nothing wrong. Then, Senators, why not repeal the law of secrecy? Why not say that these income-tax returns, involving hundreds of millions of dollars every year, shall be public documents, open to inspection the same as any other public document?

No man has pointed to a single instance where an injury would come to anybody if that were done, and it is no answer to say that the Couzens committee has not sent anybody to jail or to prison. It is no answer to say that no fraud—even if we admit that, which I do not—has yet been discovered. The fact remains that just as surely as two and two are four, corruption will breed itself in dark places, in suspicious corners, where immense volumes of business are transacted without the knowledge of the citizenship of the country. It can not be otherwise. It is a law of human nature. There is no exception to it in civilization, and it will be true in America as it was true in Russia. It will be true anywhere. We will have trouble enough if all this business is done publicly; and God knows we will have in the end ruin and destruction if it is done secretly and that secrecy is continued indefinitely.

THE WORLD COURT

Mr. McKINLEY. Mr. President, the Senate of the United States, in harmony with the platforms of both the Republican and Democratic Parties in 1924 and complying with the recommendations of the American Legion, the American Federation of Labor, the National League of Women Voters, the National Chamber of Commerce, the American Bar Association, the National Association of Business and Professional Women's Clubs, and scores of other patriotic, civic, and religious bodies, by a vote of 76 for and 17 against, has agreed to join the civilized nations of the world in creating a tribunal to prevent war and promote peace in the world.

Mr. President, from the letters I am receiving it would appear a great many people, not having the opportunity to read Senate Resolution No. 5, known as the World Court resolution, are not fully informed as to how by its wording it absolutely prevents the United States from participating in European affairs. Therefore it seems to me the duty of the Members of Congress to acquaint the people with the actual situation by freely distributing the World Court of Arbitration resolution, and particularly calling to their attention the reservations which, concretely, are as follows:

(1) That it involves no legal relation to the League of Nations and no assumption of obligations under the Versailles treaty.

(2) That the United States shall participate with the members of the league in electing judges of the court.

(3) That the United States shall pay a fair part of the court's expenses as determined by the United States Congress.

(4) That the United States may at any time withdraw from the court, and that the constitution of the court shall not be changed without the consent of the United States.

(5) That the court shall not render any advisory opinion affecting any question in which the United States has an interest unless the United States consents.

And further it is provided the United States shall not ratify until the other nations shall consent to its reservations that the United States shall take no case to the court unless an agreement by treaty is made for doing so, and that in adhering to the court the Monroe doctrine (not mentioned by name) is retained as a United States policy.

The next to the last clause means that if any question arises concerning the United States the same can not be considered, no matter whether it comes up to-morrow or 20 years from now, until after the Senate of the United States by a two-thirds vote at that time has so consented.

TAX REDUCTION

The Senate, as in Committee of the Whole, resumed the consideration of the bill (H. R. 1) to reduce and equalize taxation, to provide revenue, and for other purposes, the pending question being on the amendment offered by the Senator from Nebraska [Mr. NORRIS] to the committee amendment on page 113, line 1.

Mr. REED of Pennsylvania obtained the floor.

Mr. COUZENS. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER (Mr. WILLIS in the chair). The Secretary will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Ashurst	Capper	Ferris	Harris
Bayard	Caraway	Fess	Harrison
Bingham	Copeland	Fletcher	Heflin
Blease	Couzens	Frazier	Howell
Borah	Cummins	George	Johnson
Bratton	Dale	Gerry	Jones, Wash.
Brookhart	Deneen	Glass	Kendrick
Broussard	Dill	Goff	Keyes
Bruce	Edge	Gooding	King
Butler	Edwards	Hale	La Follette
Cameron	Fernald	Harreld	Lenroot

McKellar	Norris	Schall	Trammell
McKinley	Nye	Sheppard	Tyson
McLean	Oddie	Shipstead	Wadsworth
McMaster	Overman	Shortridge	Walsh
McNary	Pine	Simmons	Warren
Means	Pittman	Smith	Watson
Metcalf	Ransdell	Smoot	Weller
Moses	Reed, Pa.	Stanfield	Willis
Neely	Robinson, Ind.	Stephens	
Norbeck	Sackett	Swanson	

Mr. JONES of Washington. I desire to announce that the senior Senator from Kansas [Mr. CURTIS] is necessarily absent on account of illness.

Mr. GERRY. I wish to announce that the junior Senator from Texas [Mr. MAYFIELD] is detained from the Senate on account of illness.

The PRESIDING OFFICER. Eighty-two Senators having answered to their names, a quorum is present. The question is on agreeing to the amendment of the Senator from Nebraska [Mr. NORRIS] to the committee amendment.

Mr. SMOOT. I ask for the yeas and nays.

The yeas and nays were ordered.

Mr. DILL. Mr. President, if the representation now in the Senate Chamber had been here for the last two or three hours and had heard the revelations regarding the Internal Revenue Bureau as presented by the Senator from Nebraska [Mr. NORRIS], I think there would either be a number who would not want to vote, or they certainly would not vote with the committee. I did not hear them all, but I heard enough to convince me that if there were no other reasons why the light of publicity ought to be allowed upon these returns, the way they have operated behind closed doors in the past in that department is in itself conclusive.

TAKE NO BACKWARD STEP

When for years a policy has been fought for and finally won, and then when it has been improperly applied, and when a practice has been called publicity which is not publicity at all, and all this is unsatisfactory, I do not understand why we should then be expected to repeal the real publicity provision for which the Senate voted two years ago by such an overwhelming majority.

HAVE NOT HAD REAL PUBLICITY

Why do I say that the so-called publicity of income-tax returns which we have had for the past two years is not publicity at all? Because what we have had has been simply publicity of the amounts returned, and that was not originally voted for by the Senate at all, but was brought in in the conference report which had to be accepted or rejected as a whole. So we have had Government employees preparing lists for the newspapers, and then the newspapers publishing those lists, giving the income taxes paid by men from $1.50 up to a million dollars. At the same time, the doors and books are closed, so that it is impossible for anyone to go into the records and find the explanation of any seeming discrepancies between the amounts paid and the amounts earned.

LONG FIGHT FOR PUBLICITY

This proposal for publicity of income-tax returns is not new. Publicity existed during the Civil War and added millions to the Treasury. The Ways and Means Committee of the House of Representatives in 1866 inserted a secrecy provision in the revenue bill so that the returns should thereafter be made secret. Later the income-tax provision was repealed.

In 1894, when the income tax law was enacted, the returns were again made secret, and when the Supreme Court declared the law unconstitutional the returns were ordered destroyed by law.

In 1913, when the income tax was again adopted, the returns were made secret, and fight after fight has been made in both the House and the Senate to secure the same measure of publicity for the income-tax returns that exist regarding other public records.

I remember, as a Member of the House of Representatives some years ago, I made the motion myself to amend a revenue bill to provide for publicity of income-tax returns, but I was unable to get enough support to secure a roll call. Year after year that motion has been made, until last year the demand became so strong in this body that by an overwhelming majority we put a provision into the statute that is perfectly natural and perfectly proper, namely, that these income-tax returns should constitute public records.

Then, when the bill went to conference, the provision of the House, which was an innocuous, meaningless provision, namely, that the lists of the taxpayers' names and addresses should be printed, was adopted, and the words added to it, "with the amount that each man has paid." The very fact that a newspaper can now publish the names of all the taxpayers, and the amount of money which each taxpayer pays, without anyone being able to investigate the returns and find the explanation, arouses much suspicion in many cases, and is very unsatisfactory.

Instead of repealing the provision which we did have, we ought to enlarge it so that the objections which now exist would be removed and we would treat income-tax returns exactly as we treat other documents of the Government.

PUBLICITY HAS DONE NO HARM

It is said that publicity of tax returns is annoying. I have been unable, in listening to the arguments and in reading the discussion, to find out what is so annoying or so objectionable about the returns of a man's income being made public any more than the returns of his property taxes or his other taxes in his home community. I ask those who are proposing to close the books and keep all information secret, what harm has been done in the two years we have had even this unsatisfactory kind of publicity? I want to know whose business has been ruined? Who has been hurt by this publicity? It is clearly evident from the report of the majority of the committee, especially from the revelations made here this afternoon by the Senator from Nebraska [Mr. NORRIS], that instead of closing the books we ought to open them more widely, and instead of shutting down upon the information that is there we ought to throw open the doors. I believe that the increase in the amounts of income taxes paid last year by the wealthy is due largely to the publicity section of the 1924 law.

The Senator from Tennessee [Mr. MCKELLAR] a few days ago in speaking on the subject brought into direct contrast the secret methods now pursued in connection with income-tax returns and refunds and the public method of handling such proposals, when he proposed that we have a court that hereafter would handle all questions of refund. What would Senators think of a court hearing the case of a man who applied for a refund saying that because the question affected the man's income the court would close the doors and make it a secret trial? Yet that is what is going on now in the Internal Revenue Bureau and will continue to go on. The results are becoming more and more burdensome to the Government. The amount of refunds is becoming greater every year. I notice in the estimates that are made for receipts and expenditures the amount of refunds, we are told, will be greater next year than last year. In fact, in estimating the amount of money that is going to be in the Treasury they estimate that so much will have to be paid back to taxpayers, and all of the hearings and proceedings leading up to these refunds are secret.

I do not know of anything more objectionable that the Congress could do than to continue a system that invites the clerks and subordinates in the Internal Revenue Bureau, who have the information in secret, to resign from the department and go to those concerning whose returns they have secret information and become their attorneys or representatives to bring about a refund in which, of course, they share largely. If the books were open, if the records were public records like other records, then that sort of thing could not happen, because the men inside the service would have no secret information which those outside could not secure.

The records show that something over 6,000,000 people paid income taxes last year. It is proposed by the pending bill that their income taxes shall be secret, but all the taxes of all the rest of the people, some 80 per cent of all kind of taxes, shall be public. Why discriminate in favor of secrecy for those who have sufficient incomes that they make an income-tax return while we turn the light of day upon all the taxes of the rest of the people who have smaller amounts of property? Abraham Lincoln favored income-tax publicity. Horace Greeley favored it; Benjamin Harrison favored it. This Senate favored it in 1924 and should pass this amendment.

MILLIONAIRE TAX REDUCTION BILL

It is a striking fact to me that the revenue bill called a tax reduction bill is, after all, written primarily in the interest of those with great wealth, and that at this time the publicity provision is to be wiped out, in addition to all the other things that are being done for those of great wealth. I recognize that the bill does contain some provisions in the interest of the common people. About 2,500,000 people are to be relieved of income-tax returns whose incomes are less than $3,500 in the case of married people and $1,500 if they are single. I recognize that it abolishes about $130,000,000 of sales taxes. But when I have said that I have said about all that can be said about the bill in the interest of the masses of the plain people.

Over against that we will have something like $10,000,000 of miscellaneous taxes and $29,000,000 of theater taxes, $46,000,000 of stamp taxes, and about $69,000,000 of automobile taxes continuing on business, if you please. These sales taxes are to remain upon the people as a permanent peace-

time system, because we have practically reached the limit in the reduction of expenditures. The Budget report of the President states that in the coming year we shall spend $90,000,000 more than we did last year.

The estimate is that in 1927 the reduction will be about $120,000,000, but unexpected demands for money will probably absorb that. So we are passing a tax reduction bill that proposes to leave a large amount of sales taxes on the people, while we are, first, cutting to the extent of 50 per cent the taxes of those whose incomes are more than $100,000 and, in the next place, we are wiping out $110,000,000 of inheritance taxes. Doctor Seligman estimates the inheritance tax would bring in $120,000,000 next year, enough to abolish all the sales taxes. Then we are going to wipe out the gift taxes on the wealthy, too. Since the bill does all this for the millionaire class, naturally those who wrote it want to wipe out the publicity section also.

LOWERING SURTAXES LOWERS RECEIPTS FROM WEALTHY

I have never seen a tax bill since I have been studying tax legislation that did so much for the millionaire class. I have been amused as well as amazed at the arguments that are presented in behalf of the lowering of the surtaxes on the big incomes of rich men of the country. To me the most ridiculous argument that is made is that if we cut down the surtaxes we will bring in more revenue. I heard that so often that I thought it would be interesting to take the records and see whether the men who wrote the tax bills during the war to raise large sums for war purposes knew what they were doing. I examined the records to find out how much money we secured on the big incomes above $100,000 when we had a rate of 65 per cent, which we are now reducing to 20 per cent. I want to give the figures because I think they are interesting.

In 1916, when the normal rate was 2 per cent and the surtax 13 per cent, the total taxes paid by those with incomes in excess of $100,000 a year were $126,000,000. In 1917, when the normal tax rate went to 4 per cent and the surtax to 50 per cent, the amount of income taxes received from people with incomes of more than $100,000 was $361,000,000. In 1918, when the war was at its height and we raised the normal tax to 12 per cent and the surtax to 65 per cent, we received $469,000,000 from people whose incomes were more than $100,000 a year. In 1919, when we reduced the normal tax to 4 per cent and 8 per cent but retained the 65 per cent surtax, from those with incomes of more than $100,000 a year we received $533,000,000.

That $533,000,000 is the answer to those who say we get more money when we lower the surtaxes on the big incomes. In 1919, I repeat, with a 65 per cent surtax on incomes of over $100,000 a year we got $533,000,000. In 1920 the receipts fell off to $323,000,000. I think there were two causes—one that the business of the country was not so good, and the other that many of those with the greater incomes were leaving their surpluses in great corporations undivided, and so did not have to pay the tax. In 1921, as conditions grew worse, the receipts dropped down to $202,000,000. In 1922, when we reduced the surtax to 50 per cent, we received $311,000,000; and, of course, that is used as an answer to all the other arguments.

That fact has been cited repeatedly in the debate both here and in the other Chamber. The fact of the matter is that many of those with big incomes allowed their corporation surpluses to remain undivided and they could not be reached, knowing a reduction was coming, and when the reduction came, they made their returns and the receipts rose to $311,000,000. In 1923 the receipts dropped to $212,000,000 because they were looking forward to another reduction, and last year, 1924, when we reduced the surtax to 40 per cent, we got $300,000,000. I refer to those figures to prove that almost double the amount of tax was received from surtaxes when the 65 per cent rate was being collected, instead of the lower rate, from those with incomes in excess of $100,000, because we received more than $533,000,000 as against $200,000,000, and $300,000,000 at the lower surtax rates.

WHAT REDUCTION MEANS TO MILLIONAIRES

Let me show just what this surtax reduction means to the millionaires. Last year three taxpayers made returns on incomes over $5,000,000. Their combined income was $27,955,319. The tax paid was $11,000,000. The reduction under this bill to these taxpayers will be approximately $5,340,000. That is a greater reduction than is given to the 2,000,000 taxpayers with incomes of $2,500 per year. Three other taxpayers with incomes of more than $4,000,000 will have their taxes reduced approximately $2,600,000; so that the six highest taxpayers under this act will have a reduction of nearly $8,000,000. Mr. Mellon, under whose influence this bill was written and is being passed, had an income in 1924 of $4,158,750. In 1921, when he was sworn in, his tax on that would have been $2,636,000. If this proposed law passes, the tax will be $1,025,000, giving Mr. Mellon an annual saving hereafter of $1,610,000. This is a considerable addition to the $15,000 annual salary of the Secretary of the Treasury resulting from his efforts to bring about tax reduction.

FAVOR PROPORTIONATE DECREASE

I do not want to be misunderstood. I have no desire to see the surtax rate set so high as to discourage legitimate returns to those who have large business enterprises. I believe that as we reduce the rates for the man with the small income we should reduce the rates for the man with the big income.

In 1924 it was proposed by those who support the idea that the lower the surtax the greater the amount of income we get from the big incomes in the way of taxes, that we should reduce the surtax rate to 25 per cent. A fight was made in the House and in this body, and we made the surtax rate 40 per cent. I think that was fair. I thought so then and I think so now. If this bill when brought in, had contained a proportionate lowering of the tax rate on the brackets above $100,000 that it carried on the lower bracket surtaxes I should have had no objection. But what they have done is to apply the old Mellon rates, which they tried to get two years ago, and then make a proportionate reduction of them. Thus this bill includes the Mellon rates of 1924 and the proportionate reduction of this bill, too. That is why we have lowered the surtaxes 50 per cent, and the other taxes from 25 to 30 per cent.

What does this reduction in income taxes do? It lowers the tax on the poor, those with incomes of less than $3,500 a year, about $20,000,000. That is, for the 2,500,000 taxpayers it is less than $10 apiece. The other three or four million who pay taxes on larger incomes save their proportionate share also on the exemptions and lower normal rates as well.

ABOLITION OF INHERITANCE TAXES

Another thing that shows this bill is so strongly in the interest of the wealthy classes is that it proposes to abolish the inheritance tax. It seems to me that if there was one thing in it above another which can not be defended that is the thing. I have heard it repeatedly stated on this floor that we can not secure income taxes from the man with large amounts of money invested in tax-exempt bonds. Under the inheritance tax if we can not tax him while he is alive and because he invests his money in tax-exempt bonds, we will get some part of it when he dies.

The other House went part way in abolishing the inheritance tax by reducing it, but when the bill got into the Senate committee they went all the way and recommended it be eliminated entirely. So under this bill, if this provision shall stand, the man who puts his money into tax-exempt bonds will be practically tax free in this country. We will have lowered his surtax to 20 per cent on all his income above $100,000, and then it is provided in the bill that his estate shall not pay any inheritance tax at all to the Federal Government.

I doubt if the House provision is constitutional; I doubt if we have a right to provide that the States shall receive a certain amount of a tax which is levied by the Federal Government; but I have no doubt nor has anyone else any doubt about our right to collect inheritance tax on great fortunes. Had the committee seen fit to raise the exemption from $50,000 to $100,000, for instance, there might have been justice in that, leaving all of an estate under $100,000, as we do now in the case of $50,000, for taxation by the State alone; but when men accumulate great fortunes of millions and hundreds of millions of dollars they draw those fortunes from the entire country, and when those fortunes pass by descent or by devise it is only fair and right that a Government which must raise more than $3,000,000,000 per annum should get part of that money from those who receive it purely by the operation of law.

INHERITANCE TAX LEAST BURDENSOME

There are many theories of taxation, but there is no theory that is so satisfactory to the people as the theory that taxation be made the least burdensome possible. I know of no tax that is less burdensome than the tax on great inheritances. When a man receives $50,000 as an inheritance and then the Government takes 1 per cent on what he receives over $50,000 and 2 per cent above $100,000, and so on, I submit that that man never did get and never will get money at so little expense as by such a tax. Yet, it is proposed here that we shall wipe out this entire system of inheritance taxes, and that the great fortunes from which come the great incomes, shall be free from taxation so far as the Federal Government is concerned.

Sir, the inheritance tax is a tax that is almost as old as government itself; it is a tax that was used long ago under other governments; in our own country it was used as early as 1797. Such a tax was imposed then; it has been imposed

at various times throughout our history, and it has had the indorsement of the best and greatest authorities on taxation that the country has produced.

ERA OF BIG BUSINESS

Yet to-day it is proposed that we shall wipe out that inheritance tax of $110,000,000, and leave taxes on automobiles, taxes on theater admissions, stamp taxes, and taxes on miscellaneous items of every kind. Why? Because this is the era of big business; this is the era when great wealth is in control of the Government; this is the era when the Government does the bidding of those who would have the Government operate in the interest of the great combinations of capital under the control of one man or of a few men.

In addition it is proposed to abolish the little gift tax which produces $7,000,000. Of course, if we are going to abolish the inheritance tax we might as well abolish the gift tax also, because the gift tax was created to protect the inheritance tax.

Mr. COPELAND. Mr. President——

The PRESIDING OFFICER (Mr. McNARY in the chair). Does the Senator from Washington yield to the Senator from New York?

Mr. DILL. I yield.

Mr. COPELAND. Mr. President, I dislike to have this matter passed without saying to the Senator from Washington that there might be some persons who feel that they are really friendly to the people and yet do not quite follow the Senator in his logic. I agree that it is a very easy thing to collect an inheritance tax. The head of a family dies, and from the mourning widow, helpless, perhaps, even though she has a high-priced lawyer, it is easy to take this money. I can not see—and I have said it before in this Chamber—why the minute a man dies his estate owes money. Why does not the man owe the money to the Government while he is alive? The minute he dies, the next hour after he dies, the State interferes to take away from the estate a certain portion of the property which he has accumulated.

I said the other day, and I desire now to repeat to my friend from Washington, that I think a great many fortunes are built up, not alone through the efforts of the man whose estate pays an inheritance tax, but through the efforts of the wife and the family of that man. So it has always seemed to me that it is a cruel thing, simply because a man has died, to provide that a portion of that property, accumulated through the joint efforts of members of his family, must go to the State.

I want to speak of that to my friend from Washington because it is my purpose to vote with the committee in this matter of the inheritance tax; and I do not want him to read me out of the good group because I shall take that particular step.

Mr. DILL. Well, Mr. President, I would not attempt to do that to the able Senator from New York, whom I love and admire, and whose progressive stand on so many questions in this Chamber while we have been here together has won my highest admiration; but I want to remind the Senator, taking the case at its worst as he states it, that when a man and his wife have worked and accumulated a fortune, and she is left $50,000 of it without its being touched by the Federal Government, and the Government takes only 1 per cent of the next $50,000 and then takes 2 per cent of the next so many thousands, and so on, and not until $1,000,000 is reached does the Government take 40 per cent——

Mr. LENROOT. Not until the estate amounts to $10,000,000.

Mr. DILL. That is better still. I did not have the brackets correctly in mind. I think it is of some value to live under a Government under the operation of which such great masses of property can pass securely and safely protected by the law.

I wish to say further that I think when the husband dies and all of his property is left to the widow and the family alone she can well afford to pay the small tax which is required—and the taxes are small until the immense estates are reached. I do not know of anything that can more easily bear the burden of a tax than the part of the fortune that goes into the hands of the widow or her family to be used by them without any incumbrance whatsoever.

Mr. COPELAND. Mr. President, will the Senator yield further?

Mr. DILL. I yield.

Mr. COPELAND. I would join the Senator in an improvement of the bill, in making the tax really a graduated tax as to the man while he is alive who has a great income and has accumulated a great amount of property. I think he should bear his full proportion of the tax, and I would go with the Senator as far as he cares to go in that direction; but I have always thought it was cruel, just after the funeral was over, to step in and say to the mourning family, "While the head of the family was alive he owed nothing to the Government, but now that he is dead we insist on taking away a portion of that wealth." Let us impose the tax while the man is alive.

Mr. DILL. Ah, Mr. President, I, too, am in favor of a tax that will take a larger percentage of his income when it reaches $100,000 or more while he is alive, but then I want to take some of his remaining estate, too. Not that I want to punish people of great wealth, but I remind the Senator that there are governments in this world where men can not accumulate such fortunes; that there is a condition of society in this world where these great masses of money can not be concentrated together and then passed on to those who come after the original owner, and when such a good government exists and such a fine organization of society exists that men can concentrate great masses of capital, as in this country, remembering the millions and millions who struggle year in and year out to provide a place to lay their heads, to provide food with which to feed and raiment with which to clothe their children, and to make enough actually to live decently—when I remember these things, I say, I would rather take the necessary money to run this Government and pay the war debts out of the big estates that run up into the millions than I would to carry on a system of taxation that bears down upon the masses of common citizens of this country.

Mr. LENROOT. Mr. President, will the Senator yield?

Mr. DILL. Yes.

Mr. LENROOT. May I say to the Senator that under the present law an estate of $100,000 pays only a tax of $500.

Mr. DILL. I thank the Senator for that statement.

Mr. COPELAND. Mr. President, will the Senator from Washington yield further to me?

Mr. DILL. I yield.

Mr. COPELAND. I do not care what the amount is; I do not care if it is only $1.50; it is the principle of the thing to which I object. Here is a man who goes through life and accumulates a great fortune and the Government does not pretend to confiscate any of it while he is alive. When he is dead, however, the Government says to his family, "We are going to take away some of that money."

Mr. LENROOT. Mr. President, then, I take it, the Senator from New York is also opposed to the States imposing any inheritance taxes for the same reason, if it is a matter of principle?

Mr. COPELAND. I will say to the Senator that I am.

Mr. LENROOT. I understand the Senator's position.

Mr. COPELAND. Yes, sir; I am opposed from the beginning to the end, whether it is a Federal matter or a State matter, to the idea of an inheritance tax. I think it is an immoral and indecent tax. In time of war and of the Nation's necessity it is all right to say we are going to take money wherever we can get it, and an inheritance tax is an easy way to get it, but in times of peace, in ordinary times, I am opposed to the inheritance tax.

Mr. DILL. The Senator realizes that to-day we have to spend annually something over a billion dollars for interest charges because of the war we had recently, and the money must come from somewhere; and the Senator realizes further that according to the vote taken in the Senate we have cut the surtaxes on the big incomes of more than $100,000 to 20 per cent. The rich man can put his money into tax-exempt securities, and we can not touch him while he is alive, and thus the Senator under this bill is unable to do the thing which he wants to do; and I ask him how he is going to get any taxes out of the people who put large amounts of money into tax-exempt securities?

Mr. COPELAND. Mr. President, if the Senator will permit me, I did not suppose that I would ever stand up here to defend this bill.

Mr. DILL. I hoped the Senator would not.

Mr. COPELAND. But, as a matter of fact, if I understand the bill correctly, it cuts out something like 2,500,000 taxpayers.

Mr. SMOOT. Two million three hundred and fifty thousand.

Mr. COPELAND. It is a "cussed" bill, of course; we agree with the Senator; and yet, after all, when we consider that the terms of the bill are such that 2,350,000 persons who paid taxes before are not going to pay any taxes under the bill, it is not so bad after all. But I will go with the Senator. He asked me a question, and it justifies my taking a little of his time. I do feel that in the upper brackets we did not do as we ought to have done. I think there are certain inequalities in it which should be corrected; but I suppose any tax bill would be considered an imperfect one. It is impossible to

have it exactly right; but let us give the devil his due once in a while and say of this tax bill that on the whole it is an improvement on what we have had in the past.

Mr. DILL. Then the Senator is not only willing that we shall stop all increases of surtax on the incomes above $100,000, which he knows has been done by a vote of the Senate, and yet he is willing to support this provision of the bill permitting men with these tremendous fortunes to put them into tax-exempt securities, and thus escape all Federal taxation; is that true?

Mr. COPELAND. No. You know, Mr. President, a man has to be judged according to his general actions. So far as I am concerned I am opposed to all tax-exempt securities.

Mr. DILL. But the Senator knows that there are many, many billions of them in existence.

Mr. COPELAND. I know it; and if I had my way, I would wipe them out.

Mr. DILL. But there is no way of wiping them out.

Mr. COPELAND. They have led nations and States and municipalities into extravagances of every sort, and I wish we could wipe them out, and I have no quarrel with the Senator in regard to what should be done with these upper brackets while the men are alive. The fault I find with his position is that he wants to make the attack on the poor widow after the man is dead.

OPPOSED TO TRANSFER OF POWER BY DESCENT

Mr. DILL. I am thinking most of the millions of others, whether widows or not, who never have any inheritances—aye, not even incomes upon which to pay taxes. Mr. President, the Senator said something about principle in connection with the inheritance tax; and I want to discuss this matter of principle a little from another angle.

If there is any one thing that American institutions are erected against, it is the transfer of power from parent to child, the transfer of power by descent. I have read arguments to the effect that a high tax on inheritances would tend to break up great fortunes that might be left. I do not think it would tend to break up any that should not be broken up; and if I could be certain that it would break up some of them, I would be all the more in favor of it. We live, however, in an age and in a condition of society in which money is power; and it is very seldom that those who inherit money inherit the ability of those who have the power to accumulate and bring together the money. When we permit these great fortunes to pass unimpaired and untouched we transmit power into the hands of those who as a rule are not worthy of using that power and who can not and will not use it in the interests of society, or as it probably would have been used by those who earned it. So I say that from the standpoint of principle there is an argument in favor of the inheritance tax, because it tends to put a limit upon the transmission of power by descent.

THIS BILL LEADING TO SALES TAX

Mr. President, I want to say one other thing. This bill, fathered by those by whom it is fathered and managed by those by whom it is managed, is a very natural product. There has been for many years a vast difference between the theories of taxation advocated by the two political parties. The Democratic Party has not only been in favor of a graduated income tax, but, so far as I have been able to learn up to this time, they have carried out that graduation in a regular form. This bill has abolished all of the graduated income tax that it could abolish. The Democratic Party has stood for a graduated inheritance tax, but the authors of this bill have wiped out all the inheritance taxes, graduated and other kinds, too, they have wiped out all the gift taxes, even though to do so they were forced to leave a tremendous amount of sales taxes still on the business of the country.

Do you remember two or three years ago the agitation which was carried on in this country by the leaders of the Republican Party, particularly Mr. Mellon and those who worked with him, in favor of having a sales tax to replace these taxes? I say to you that this bill leads directly toward the eventual adoption of a system of tariff and sales taxes if those now in control of the Government can have their way.

This system leads to the abolition of the taxes on wealth and to the abolition of the taxes on estates, even in spite of the fact that we have to spend a billion and a quarter dollars every year to pay the interest on the war debt alone; and then, on top of that, the colossal failure of statesmanship on the part of those in control of the debt settlements has brought a further problem upon us.

DEBT SETTLEMENTS DISGRACEFUL

I do not intend to go into the debt settlement, although I think very properly it ought to be a part of this tax bill, for we can not consider this taxation system without considering the debt settlement also. I venture the assertion that no country ever called a settlement a debt settlement that made such terms as this Government's representatives have made with some of these foreign governments. It ought to be called a debt-remission settlement or a defalcation settlement, because, as the junior Senator from Nebraska [Mr. HOWELL] showed the other day, we are actually canceling the principal of these debts, and the countries that are indebted to us are not even paying the regular interest of 4¼ per cent according to the understanding upon which they borrowed the money. I say it is all a part of this great system of assisting those with great wealth.

LOOKING BACKWARD

Mr. President, I can look into the future a few years, when I probably shall have passed my three-score and ten of allotted years, and as an old man I shall hear discussed this period of American history, and I shall hear discussed the betrayal of the interests of the masses of the American people by those now in charge of the Government. I shall hear stories told of how those in charge of the Government, beginning with the millionaire Secretary of the Treasury, whose income ran into the millions annually, supported by a President in the White House who in his quiet but scheming way assisted in every possible manner and then, supported by the leaders in the House and Senate, Mr. GREEN and Mr. SMOOT, established a taxation system that freed great wealth from bearing its proportionate share of the tax burden resulting from the war. They will tell how it was brought into the House of Representatives and the high taxes on great fortunes cut tremendously and the inheritance taxes cut 50 per cent. Then they will explain that when the bill came to the Senate, the Senate Committee approved of all the other cuts of taxes on great wealth and abolished the inheritance tax entirely.

After that length of time has elapsed this millionaire tax reduction bill will be seen to have been only part of a series of governmental manipulations and machinations in the interest of the concentration and consolidation of great wealth under the control of a small number of wealthy men in this Republic. In those days they will tell the story of the legislation that compelled great railroad corporations in this country to consolidate. They will show how the Federal Trade Commission, originally established to prevent monopolies, closed its eyes to monopoly and connived, if it did not openly permit, the greatest combination of capital the world has ever known. They will tell how the Tariff Commission was changed from an independent body into an organization that served these interests, and the great triumverate of that story, the big three who sat behind the scenes of action and pulled the strings that manipulated the whole scheme, will be none other than the biggest millionaire in our day, the Secretary of the Treasury, Mr. Mellon; the President, Mr. Coolidge; and the genial leader from Utah [Mr. SMOOT]. It will be truly recorded that they did a wonderful job, and I congratulate them now upon the perfection of their work, which will not be realized entirely until a later day. If I were on their side, I could not conceive of how it could be more completely and more perfectly accomplished than they are now doing it.

On such occasions, as an old man, I shall sit and listen and reflect upon my career in this body. I shall sometimes arise and say, "I was in the Senate then. I knew those men. I associated with them almost daily. They forgot the interests of the millions and served the interests of the few, and the political and economic ills that resulted from their action should be henceforth and always a warning against such a betrayal of the people's interests in the future history of this Republic."

TIDE WILL TURN

I shall not attempt to-day to be such a prophet as to try to tell you how the people will overthrow this system long before those years have passed. I only know that when the pendulum of public sentiment swings to the other extreme the people will go to the polls and by their votes will rebuke the betrayal of trust that I have described.

Let no man think that this tide of reaction that now dulls the public sentiment of the masses into indifference is a permanent state of affairs. Let no man think that these monopolies and billion-dollar corporations controlling the food of the country, the industries of the country, and the resources of the country will be permanent in America, or that a few men shall continue permanently to exploit the hundreds of millions of people and those who come after them.

No, sir; I say to you the pendulum will swing the other way, and at a little later period—it may be two years, it may be five years, but it will not be long—the masses of the people of America will understand this situation. They will know who the men responsible for it are. When they do understand and

when they do know, they will act and act decisively. God grant that the reaction, when it comes, may be peaceful, orderly, and constitutional.

BILL BOTH GOOD AND BAD

Mr. President, I know that there are some good provisions in this bill; but the bad things in it that give an advantage to great wealth are such that they balance, if not overbalance, whatever good things are in it and a Senator can justify voting either for or against its final passage. The publicity of income-tax returns is only one feature of this legislation; but it is a fitting part of a scheme that makes the Government the assistant to monopoly and consolidations of business, rather than the protector of the people against monopoly and consolidation.

Mr. LA FOLLETTE. Mr. President, I do not intend to detain the Senate long in discussing the amendment offered by the Senator from Nebraska [Mr. NORRIS]. I do, however, believe that the experience of the State of Wisconsin under a similar provision of law is in point.

The provision of the Wisconsin law regarding income-tax returns is substantially that now proposed in the amendment offered by the Senator from Nebraska [Mr. NORRIS]. The provisions regarding secrecy of income-tax returns were repealed in chapter 39, Laws of Wisconsin, 1923. At the time this provision was under discussion there the same arguments which are raised against the adoption of this amendment were brought forward in the Wisconsin Legislature. It seems to me, therefore, that the experience of the State since that time has bearing upon the consideration of the present amendment and what may be expected should it be written into law. In that connection I desire to read two telegrams which I have received concerning the experience of the State of Wisconsin since the income-tax returns have been treated as our other public records in that State. The first is from Hon. John J. Blaine, Governor of the State of Wisconsin, and I read:

Fears created by repeal of secrecy clause in State income tax law were unfounded and there is no demand to reinstate secrecy clause. Benefits flowing from publicity of income-tax returns have been substantial and direct. Greater care has been taken in making income returns by taxpayers, resulting in more accurate and full returns of incomes. Publicity of income-tax returns has promoted generous and valuable assistance to income-tax officers by the public. Suspicion that prevailed under secrecy clause has been swept aside as taxpayers now know that they may know whether their neighbors make full and accurate returns. Carefulness and honesty in making income returns has been promoted. The most significant fact is that since repeal of secrecy clause income-tax field auditors have been unable to find back income taxes withheld in any way comparable with amount of back income taxes withheld under secrecy clause.

The second is from Hon. Herman L. Ekern, attorney general of the State of Wisconsin. For the information of the Senate, I read his telegram:

The Wisconsin law wiping out all provisions for secrecy of income-tax returns has been in force since April 16, 1923. Hon. Carroll Atwood, now chairman and member of the Wisconsin Tax Commission since 1921, states that the present law operates beneficially, has resulted in no serious abuses, and that experience has been such that there is no general demand for restoration of the secrecy clause. I agree fully with his conclusion. It is certain that the treating of income-tax returns the same as other public records discourages violations or attempted evasions of the law, indicates necessary readjustments of taxes and other laws, promotes honesty in administration, and inspires public confidence in the integrity of those who administer the law. In Wisconsin the studies of income-tax returns made possible by the removal of the secrecy clause has disclosed in a striking way the excessive total tax burdens borne by farmers and the great mass of home owners when their total taxes are compared with their total incomes. It has also exposed in a concrete way the most vociferous opponents of income taxation as those who enjoy the very large profits.

As suggested in the telegram which I have just read, Hon. Carroll D. Atwood, chairman of the Wisconsin Tax Commission, has made the following statement:

Comparatively few instances in which income-tax returns have been examined since the secrecy clause was repealed, but an increasing number of such examinations made in recent months. There is no case of known misuse of these returns, and publicity feature has in no manner interfered with the administration of the law.

The Wisconsin Tax Commission has placed no restriction whatsoever upon the examination of income-tax returns except to insist that these returns must be examined in the office of the commission. It has, however, allowed parties to freely make copies of these returns if desired. Nor has it demanded that it be advised of the purpose of examinations made, but in most instances the parties have voluntarily given this information to the tax commission. I am advised that the most surprising feature has been that only a comparatively small number of returns have been examined by anyone. There are no known instances of examination of income-tax returns by credit men, whom it was anticipated by opponents of the publicity provision would make extensive use of these returns.

During the period of great profits from 1916 to 1920 an audit conducted by the tax commission showed wholesale understatements in the income-tax returns made to the Wisconsin Tax Commission. This fact is established by the audits, which resulted in the assessment of $3,500,000 of back income taxes. As suggested by the governor in his telegram—

carefulness and honesty in making income-tax returns has been promoted [by publicity]. The most significant fact is that since the repeal of secrecy clause income-tax field auditors have been unable to find back income taxes withheld in any way comparable with amount of back income taxes withheld under secrecy.

As has been frequently stated in the debate upon this amendment, the compromise provision for partial publicity provided in the 1924 act was an ineffectual measure. It provided merely for the publication of the total tax paid and in no way met the situation.

The publication of the amount of tax paid does not bring to bear upon the income-tax returns of individuals the moral effect of public scrutiny. Individuals and corporations making income-tax returns under the existing provision knew full well that their returns were not available for inspection, and the compelling force of the knowledge that their income-tax return would be subject to inspection was entirely lost.

Both the Ways and Means Committee of the House and the Finance Committee of the Senate failed to offer anything but a negative argument. The Finance Committee says on page 7 of its report:

With no evidence before it of any useful purpose served, the committee recommends the repeal as proposed in the House bill.

The Ways and Means Committee of the House states on page 9 of its report:

The Treasury Department informs your committee that no useful purpose has been served by the publication of the amount of income tax paid by the various taxpayers. The committee therefore recommends its repeal.

It is hardly necessary to point out that neither the statement of the Finance Committee nor of the Ways and Means Committee is an argument in point against the present amendment.

To my mind the experience which the Federal Government had in the sixties is much more in point. At that time there was no provision for secrecy in the income tax laws. An editorial which was quoted upon the question, when it was under consideration during the debate upon the 1921 tax bill when an amendment was proposed by Senator La Follette, is worthy of repetition at this time. The editorial was written by Horace Greeley in the New York Tribune of May 24, 1866. I read it:

The Evening Post has a Washington dispatch which says:

"The Committee on Ways and Means have agreed to an amendment of the tax bill providing that lists of income shall not be published nor furnished for publication, but they shall be open to private inspection at the office of the collector.

"We would like to believe this untrue. We believe that publicity given to the returns of income submitted by individuals to tax gatherers has already put millions of dollars in the Treasury and gone far toward equalizing the payments of the income tax by rogues with that of honest men and saved thousands from being imposed upon and swindled by false pretenses of solvency and wealth, made on purpose to incur debts preordained never to be paid. The knave who sought credit on assumption of wealth belied by their returns of incomes, of course, hate publicity given to those returns, but why should any honest man seek to pass for any more (or less) than he is worth?"

In another editorial, written January 26, 1865, the New York Tribune says:

We learn that the publishing of the list of income taxpayers in this city, against which there has been so much absurd outcry, is likely to prove beneficial to the revenue as well as to the consciences of some of our "best citizens." Already, as we understand, considerable sums have been returned to the assessors and paid to the collectors by persons who have discovered "errors" in their original returns of incomes since the publication of the lists referred to, and assessors have received valuable information in reference to the incomes of some gentlemen who should but have not yet amended their returns.

The fight continued to prohibit publicity of income-tax returns, and finally in 1870 those seeking secrecy were successful. Following the adoption of secrecy in that year, the number of

returns decreased, and presumably the amount of tax, more than 20 per cent. I quote from Senator La Follette's speech on that occasion:

The statistics published by the Internal Revenue Bureau are such that comparisons in all the classes of incomes taxed are not possible, but a comparison of the returns of those reporting incomes over $2,000 is almost conclusive.

In 1870 when the returns were published, the number showing incomes over $2,000 were 94,887. In 1871 when publicity was prohibited, the number fell to 74,000—that is, from 94,000 to 74,000—then to 72,000 in 1872, and this in spite of the fact that, as shown by individual bank deposits, bank clearings, etc., 1871 and 1872 were more prosperous years than 1870. Similarly in North Carolina, when the income-tax returns under the State law were published by the Hon. Josephus Daniels in his paper, the News and Observer, the tax collections immediately more than doubled.

In the previous debates upon this vitally important subject the remarks of former President Harrison have been quoted, but before the Senate votes upon this proposition again I think that excerpts from his address delivered before the Union League Club of Chicago on the 22d of February, 1898, are worthy of the serious attention of this body:

* * * * * * *

The special purpose of my address to-day is to press home this thought upon the prosperous, well-to-do people of our communities, and especially of our great cities, that one of the conditions of the security of wealth is a proportionate and full contribution to the expenses of the State and local governments. It is not only wrong but it is unsafe to make a show in our homes and on the street that is not made in the tax returns.

It is a part of our individual covenant as citizens with the State that we will honestly and fully, in the rate or proportion fixed from time to time by law, contribute our just share to all public expenses. A full and conscientious discharge of that duty by the citizen is one of the tests of good citizenship. To evade that duty is a moral delinquency, an unpatriotic act. * * * I want to emphasize if I can the thought that the preservation of this principle of a proportionate contribution, according to the true value of what each man has, to the public expenditures is essential to the maintenance of our free institutions and of peace and good order in our communities.

Mr. Lincoln's startling declaration that this country should not continue to exist half slave and half free may be paraphrased to-day by saying that this country can not continue to exist half taxed and half free.

We have too much treated the matter of a man's tax return as a personal matter.

We have put his transactions with the State on much the same level with his transactions with his banker, but that is not the true basis. Each citizen has a personal interest, a pecuniary interest, in the tax return of his neighbor. We are members of a greater partnership and it is the right of each to know what every other member is contributing to the partnership and what he is taking from it.

Prof. C. C. Plehn, in his book "Introduction to Public Finance," has something to say concerning the publicity of income-tax returns. Before reading it, I wish to remind Senators that Professor Plehn is one of the leading tax authorities of this country. For 25 or 30 years he has been connected with the University of California. He is a former president of the American Economic Association and of the National Tax Conference:

To a people unaccustomed to an income tax it may seem that one's income is a very intimate, personal, and private affair, and there is a natural dread of letting one's business rivals know one's business. But as a matter of fact the income-tax statement or return would be no more likely to be examined out of sheer curiosity or for purposes of gossip than are the property-tax returns, about which no such veil of secrecy is drawn; and the business rival generally has better information already than he could possibly obtain from the returns. Against such dark secrecy it may well be urged that it is very important to feel assured that all incomes—my neighbors as well as mine—are fairly and truly assessed, a thing that can never be if the final assessments never see the light of day. Fear of publicity is a bogie man. This does not mean, however, that publicity should be used as a means of duress, to force assessments in excess of what is right, just, and equal.

Mr. President, we have general Federal statutes making public all records of the Government. We have State statutes providing that State records shall be public records. General property tax returns in every State in the Union are public records. There is no compelling argument based on sound governmental policy for making a special secrecy provision regarding Federal income-tax returns. No man has any right, no man should want to conceal the amount of his income unless perchance there is something false in his return or unless he is ashamed of the manner in which he has accumulated his income.

As has been pointed out in this debate, a provision similar to the one now pending was adopted in this body by a vote of 27 to 47 in 1924.

I point out that not only has there been no change in the situation since that time which would justify any man in changing his vote upon the proposition, but on the contrary the evidence produced by the select committee which has gone into the situation in the Internal Revenue Bureau more than justifies the action which was taken at that time. It seems to me that the startling facts produced by the committee should furnish any Senator with an open mind, who will study the question, ample evidence that the amendment should be adopted.

I trust that the amendment offered by the Senator from Nebraska will be agreed to. I hope that those Senators who stood foursquare on this proposition in 1924 will consider carefully the evidence presented in the debates and set forth in the report of the committee which was headed by the able Senator from Michigan. If they do I am certain this amendment will prevail.

Mr. SHIPSTEAD obtained the floor.

Mr. SMOOT. Mr. President, if the Senator from Minnesota will yield to me, I desire to offer a unanimous-consent agreement, and I am asking the Senator to yield because a number of Senators want to know whether it is going to be accepted or not.

Mr. SHIPSTEAD. I yield for that purpose.

Mr. SMOOT. I offer the unanimous-consent agreement, which I send to the desk.

The PRESIDING OFFICER (Mr. HEFLIN in the chair). The clerk will read the proposed unanimous-consent agreement.

The Chief Clerk read as follows:

Ordered, by unanimous consent, That on the calendar day of Monday, February 8, 1926, at not later than 7.30 o'clock p. m., the Senate will proceed to vote without further debate upon the amendment proposed by Mr. NORRIS to the bill H. R. 1, the revenue bill, to strike out, on page 113, all after the word "records," in line 1, down to and including line 5, and insert in lieu thereof, "and shall be open to examination and inspection as other public records under the same rules and regulations as may govern the examination of public documents generally;" and then, upon the reported amendment on page 113, beginning in line 2, before the word "shall," to strike out "but they" and insert "but, except as hereinafter provided in this section and section 1203, they."

The PRESIDING OFFICER. Is there objection to the proposed unanimous-consent agreement?

Mr. NORRIS. Mr. President, I make no objection if the Senator wants to vote on the pending amendment at 7.30, but what is the latter part of the proposed agreement?

Mr. SMOOT. To vote on the committee amendment following the vote on the Senator's amendment.

Mr. COUZENS. The committee amendment is the same as the House text?

Mr. SMOOT. No, we have inserted the words "except as hereinafter provided in this section and section 1203."

Mr. NORRIS. I have not any objection to either proposition, but there may be other Senators who want to debate the question. Why does not the Senator simply offer an agreement that we vote at 7.30 p. m. on the pending amendment? So far as I know, there will be no objection to that.

Mr. SMOOT. My object in asking unanimous consent was to have final action on the section.

Mr. WATSON. Does the Senator from Nebraska have any objection to cleaning up the whole section when we vote?

Mr. NORRIS. Probably not, but I would not like to say before my amendment is disposed of. It might interfere with some other Senator's intentions. We have not been discussing the committee amendment at all. Some one might want to discuss it. I am frank to say that I do not know of anybody who does want to discuss it, but in the absence of Senators I would dislike to make that kind of an agreement.

Mr. SMOOT. The committee amendment is nothing more nor less than a reference to the point in another section.

Mr. NORRIS. Oh, yes; but there may be debate on the amendment after all.

Mr. COUZENS. May I say to the Senator from Nebraska that I have talked to most of the Senators who are interested and I do not think there will be any such debate.

Mr. NORRIS. If that be true then I have no objection, but what is the use of doubling it up now?

Mr. SMOOT. I simply want to know whether we are going to get through with the section to-night, or not.

Mr. NORRIS. The only way to find out is to have the unanimous consent granted that we vote at 7.30 on the pending amendment, and we may then vote on it all.

Mr. SMOOT. Very well; I will agree to that.

Mr. WALSH. Does it mean that we vote at 7.30 or at any time between now and 7.30?

Mr. SMOOT. The unanimous-consent agreement reads, "not later than 7.30."

Mr. NORRIS. I think we had better fix it definitely at 7.30.

Mr. WALSH. As it reads now the vote might be taken at any time between now and 7.30.

Mr. SMOOT. Make it "at 7.30" and then there will be no objection by anyone.

Mr. COUZENS. Let us have it read again. I am not clear just how it reads.

The PRESIDING OFFICER. The clerk will read the proposed unanimous-consent agreement as modified.

The Chief Clerk read the modified unanimous-consent agreement, as follows:

Ordered, by unanimous consent, That on the calendar day of Monday, February 8, 1926, at 7.30 o'clock p. m., the Senate will proceed to vote without further debate upon the amendment proposed by Mr. NORRIS to the bill H. R. 1, the revenue bill, striking out on page 113 all after the word "records" in line 1 down to and including line 5 and inserting in lieu thereof "and shall be open to examination and inspection as other public records under the same rules and regulations as may govern the examination of public documents generally."

The PRESIDING OFFICER. Is there objection?

Mr. SHORTRIDGE. Why can we not make it 7 o'clock instead of 7.30?

Mr. COUZENS. I will state to the Senator from California that some Senators have gone to dinner, and I told them there would not be a vote before 7.30.

Mr. SHORTRIDGE. Very well.

The PRESIDING OFFICER. The Chair hears no objection, and the unanimous-consent agreement is entered into. The Senator from Minnesota will proceed.

Mr. SHIPSTEAD. Mr. President, on page 25 of the Treasury report dated November 20, 1924—nearly six months after the President signed the bill—Secretary Mellon officially told the country:

The revenue act of 1924 will reduce tax receipts over $450,000,000 annually, it is estimated, and in addition some of the sources of revenue during the past few years, such as realizations on war assets and back taxes, are rapidly becoming exhausted.

From the information available, it is apparent that the Secretary of the Treasury was off in his guess about $474,000,000. Where the Secretary fell down on his revenue prophecies was in overlooking the effect of publicity on the tax dodgers. Both the President and Secretary told the country that publicity would cut down tax receipts. Moreover, they dreamed that they had publicity blocked by administrative measures, despite the publicity provisions enacted by Congress. When the courts dismissed the injunctions against the press the administration prophecies failed. Then it came to pass, as the Bible foretold 2,000 years ago:

If there be prophecies, they shall fail.

The Senate, it will be recalled, amended the 1924 revenue bill with three excellent publicity provisions, every one of which was fought by the Secretary of the Treasury and his Senate followers and afterward condemned by the President in his message. Those three publicity measures were as follows:

First. The Norris amendment making income-tax returns public records, subject to public inspection, like the tax records of the 48 States.

Second. The McKellar amendment making tax refunds and abatements public records.

Third. The Jones-Walsh amendment making the proceedings of the Board of Tax Appeals public records, with public hearings, and published proceedings available through the Government Printing Office. As the President complained, the Senate made the Board of Tax Appeals almost a "court of record," which apparently was not the administration plan.

Thus, the revenue act of 1924 embodied an effective revenue producer, the most persuasive and practical in the world, namely, publicity, and applied publicity to every step of the revenue process: Tax returns, tax refunds, and tax appeals. The veil of secrecy safeguarding the tax dodgers was torn away. The shroud of mystery screening $1,000,000,000 of tax refunds and abatements in three years was torn off the Treasury windows. The plan to make the Board of Tax Appeals a secret vault for tax-reduction claims was defeated.

These were the revenue producers that our Napoleons of finance overlooked.

Now arises the practical question, Who were the tax dodgers that publicity smoked out?

I apprehend that the Treasury itself has exposed them, perhaps inadvertently. I presume Members of the Senate have in their offices, if not on their desks, an invaluable analysis issued by the Treasury, under the caption, "Statistics of income from the returns of net income for 1923," published in 1925.

I wish to call attention to a table that is found in the report on page 17. It is a table giving the total, by States, of the corporations reporting no net income and at the same time having paid something like $500,000,000 in dividends. I ask unanimous consent that the table may be printed in the RECORD.

The PRESIDING OFFICER. Without objection, it is so ordered.

The table is as follows:

TABLE 8.—*Corporation returns—Distribution by States for the United States*

[Income returned for the calendar year ended Dec. 31, 1923]

States and Territories	Corporations reporting no net income						
	Number	Per cent	Gross income	Deduction	Deficit	Dividends	
						Cash	Stock
Alabama	1,247	34.69	$79,568,094	$86,793,755	$7,225,661	$363,668	$10,796
Alaska	70	50.72	1,305,579	1,522,839	217,260	15,750	
Arizona	1,014	64.93	30,265,585	35,817,307	5,551,722	196,038	20,700
Arkansas	943	36.10	72,264,030	79,477,831	7,213,801	759,603	10,750
California	8,552	46.51	1,046,814,428	1,146,811,410	99,996,982	25,833,716	5,035,702
Colorado	3,708	58.45	175,895,200	201,309,854	25,414,654	5,438,025	1,044,173
Connecticut	2,119	38.58	482,077,605	519,672,459	37,594,854	7,556,417	75,740
Delaware	528	47.31	48,161,704	57,248,274	9,086,570	2,575,541	760,060
District of Columbia	652	41.40	48,092,317	53,330,053	5,237,736	943,001	75,000
Florida	1,887	43.34	78,608,312	90,463,759	11,855,447	985,691	389,584
Georgia	1,869	37.66	160,498,503	177,492,967	16,996,464	2,677,533	1,074,387
Hawaii	223	37.88	18,018,652	19,494,472	1,475,820	1,113,253	
Idaho	1,111	56.95	39,057,882	44,378,170	5,320,288	442,749	
Illinois	9,301	36.85	2,680,948,250	2,817,472,923	136,524,673	12,029,786	24,359,398
Indiana	3,678	35.37	324,219,913	360,239,016	36,019,103	4,206,844	1,291,349
Iowa	3,548	39.31	222,390,726	245,433,161	23,042,435	2,711,696	686,993
Kansas	1,941	39.40	186,240,432	203,773,160	17,532,728	5,404,060	370,767
Kentucky	1,772	34.39	133,990,263	147,254,905	13,264,642	1,825,024	138,454
Louisiana	2,268	44.39	254,596,681	277,631,531	23,034,850	2,919,899	709,761
Maine	1,296	39.31	133,219,190	143,539,207	10,320,017	739,024	584,300
Maryland	1,973	41.25	199,168,269	215,470,109	16,301,840	2,258,354	10,804
Massachusetts	6,375	40.19	1,192,622,315	1,318,265,747	125,643,432	14,838,577	1,107,750
Michigan	4,880	40.09	468,049,639	538,097,451	70,047,812	10,397,047	6,858,808
Minnesota	4,773	45.16	465,878,265	501,889,434	36,011,169	4,976,476	2,887,281
Mississippi	552	30.58	48,575,559	53,365,294	4,789,735	748,942	
Missouri	5,544	38.07	617,221,554	668,489,540	51,267,986	20,030,862	4,950,347
Montana	2,441	63.15	60,978,797	73,321,912	12,343,115	880,763	10,627
Nebraska	2,001	41.19	183,346,425	196,550,576	13,204,151	1,176,356	288,836
Nevada	819	70.85	12,705,295	15,999,247	3,293,952	156,387	
New Hampshire	871	53.10	28,282,367	30,798,147	2,515,780	400,695	220,867

TABLE 8.—*Corporation returns—Distribution by States for the United States*—Continued

States and Territories	Corporations reporting no net income						
	Number	Per cent	Gross income	Deduction	Deficit	Dividends	
						Cash	Stock
New Jersey	4,942	37.83	$605,263,192	$659,009,722	$53,746,530	$11,847,869	$959,131
New Mexico	529	55.51	13,781,881	16,675,926	2,894,045	125,319	
New York	29,015	41.53	5,425,969,275	5,963,424,812	537,455,537	100,666,060	14,415,260
North Carolina	2,177	36.36	141,622,905	153,277,934	11,655,029	1,131,735	219,840
North Dakota	1,604	54.59	47,765,724	53,113,974	5,348,250	291,909	25,809
Ohio	8,339	37.74	1,048,538,737	1,167,535,036	118,996,299	24,159,367	3,388,784
Oklahoma	3,094	54.19	340,075,520	394,118,021	54,042,501	10,575,575	2,192,206
Oregon	2,709	51.10	142,873,528	157,344,091	14,470,563	1,548,385	1,676,383
Pennsylvania	9,178	40.51	1,462,337,416	1,599,113,617	136,776,201	23,778,685	23,929,110
Rhode Island	912	38.76	116,864,732	142,208,801	25,344,069	5,148,455	
South Carolina	1,803	43.23	85,863,018	93,690,970	7,827,952	1,568,246	203,311
South Dakota	1,320	46.22	39,254,897	43,317,024	4,062,127	383,244	50,568
Tennessee	1,776	36.54	205,544,529	221,135,814	15,591,285	1,949,905	315,489
Texas	3,954	38.66	812,923,189	881,384,461	68,461,272	16,643,413	2,085,896
Utah	1,577	51.79	65,310,686	73,448,334	8,137,648	1,214,828	
Vermont	283	27.26	21,678,086	24,661,785	2,983,699	230,658	
Virginia	2,246	37.70	277,472,020	305,108,083	27,636,063	1,662,933	165,100
Washington	4,902	50.09	209,548,948	236,052,001	26,503,053	2,831,674	221,991
West Virginia	1,974	39.00	207,208,816	227,225,273	20,016,457	3,502,084	398,145
Wisconsin	4,916	38.42	314,715,621	352,320,582	37,604,961	3,761,886	863,059
Wyoming	889	54.34	28,511,679	34,168,446	5,656,767	874,029	35,175
Grand total United States	165,594	41.51	21,106,184,230	23,119,739,217	2,013,554,987	348,498,036	104,118,481

Mr. SHIPSTEAD. Senators will note that the Treasury here presents an exhibit, by States, of 165,594 corporations, or 41.51 per cent of the corporation total, that report to the Treasury "no net income."

But in parallel columns appears the astounding fact that these same 165,000 corporations "reporting no net income" pay $348,498,036 in cash dividends and issue on top of that $104,118,481 of stock dividends.

Having discovered a fruitful possible source of increased revenue, the problem now before us is to ascertain if this productive source actually contributed to the increased revenue of 1925. As the calendar year is now finished, but the final report thereon will not be available for some time, the solution of the problem at first blush appears a trifle difficult.

But here again the Treasury, perhaps again by inadvertence, helps us to the solution. On the second floor of the main Treasury building, a few doors down the hall from the chief clerk's office, there is a large transparency painted "Information" If you step into the "information" office, a charming young lady will hand you the monthly summary of income-tax receipts. This summary will show an analysis of the income-tax returns, differentiating corporate income-tax receipts from personal returns. We now have an opportunity to discover the source of increased income-tax revenue for the present calendar year by months.

Income taxes paid are on the third and fourth installments of corporations and other large income taxpayers. The small taxpayers paid their taxes on March 15. So we know that the small taxpayers got the reduction that the Senate voted them under the "Simmons plan," for the March 15 tax payments in 1925 are much below a year ago, notwithstanding the increased revenue undoubtedly contributed on the first installment payments of the corporations and large incomes.

The significant figures which prove beyond controversy that the revenue increase for 1925 is from corporations I shall now lay before you.

I have here a photostatic copy of a compilation of revenue collections from July 1, 1925, to October 31, 1925, the first four months of the fiscal year beginning July 1 last.

This Treasury chart shows that income-tax receipts for the four months July 1 to October 31, 1925, were approximately $460,000,000, an increase of $27,816,341 over the same months last year. But the striking point which the Treasury chart further brings out is that the increase is wholly from the source corporation income taxes.

During this four-month period corporations paid on income in 1925, $253,482,519, against $225,187,861 in 1924, an increase of $28,294,657, or 12 per cent, in four months.

As the quarterly installments presumably are comparatively uniform, there was a similar rate of increase in corporation-tax receipts on March 15 and June 30, and likewise during December. It is plain that corporations are paying into the Treasury at least $100,000,000 more this year than last year.

Individual tax payments on the quarterly installment basis, presumably on the larger incomes, appear to be about the same this year as last. During the four months following July 1, 1925, individual taxes were $204,441,473, against $204,919,789 last year, a difference of only one-fourth of 1 per cent.

Therefore the tax reduction shown in March 15 returns was wholly due to tax relief for small incomes. Final analysis by the Internal Revenue Bureau after the year's returns shall be complete will probably show that small incomes not availing themselves of the quarterly installment payment plan realized a total relief of possibly $100,000,000 in their annual tax burden. Larger individual incomes will show little change, while the corporations contributed the entire volume of revenue gain.

There is yet one point to be examined before we may logically maintain that the corporate tax dodgers reported in Treasury Table 8, already mentioned, the 165,000 reporting "no income" and yet paying $450,000,000 in cash and stock dividends, are the taxpayers who "came across." That point is, Did the corporations of the country do a bigger and more profitable business in 1924 than in 1923? In other words, did they have a greater income on which to pay taxes in 1925 than in 1924?

Again the administration affords us with the economic answer. This time the conclusive information is furnished us first by the Federal Reserve Board—of which Secretary Mellon himself is the ex officio head—and we have this information reinforced by the figures furnished by the Commerce Department. The Federal Reserve Bulletin and the Current Survey of Business by the Commerce Department both testify conclusively that 1924 was materially behind 1923 in the country's industrial activity and volume of business, fully 15 per cent behind in production of the leading manufacturing industries, and over 10 per cent behind in the total level of employment. Moreover, 1924 showed a decline in prices in substantially everything excepting wheat—and wheat is not yet produced to any marked extent by corporations.

Take the Commerce Department survey of 1924, compared with that of 1923, as to production in the leading industries. I have here Secretary Hoover's excellent Survey of Current Business, and I have obtained from that report some very interesting figures showing the comparative prosperity of the corporations of the country in 1923 and 1924. The survey was issued February, 1925, and compares business conditions in 1924 with those of 1923 and other years. A digest of similar data appears in the Federal Reserve Bulletin.

Pages 43 to 49, likewise pages 3 and 7, are devoted to the iron and steel industry, which is presumed to be the great economic barometer.

Iron ore shipments dropped from 59,200,000 tons in 1923 to 42,452,000 in 1924, a decline of 16,000,000 tons, or over 25 per cent.

Pig iron production in 1924 declined nearly 25 per cent.

Steel ingot production fell off in 1924 about 20 per cent.

United States Steel Corporation orders dropped over 30 per cent.

Wholesale prices of iron and steel averaged in 1924 10 per cent below the tariff-inflated prices of 1923, and there was a further decline in exports.

Page 7 of Secretary Hoover's survey shows parallel declines in industrial production along pretty much the whole line, as follows:

In the textile industries, wool consumption dropped from 641,000,000 pounds in 1923 to 537,000,000 in 1924—a decline of over 100,000,000 pounds, or 16 per cent. Cotton consumption fell off over a million bales, also about 16 per cent. Production of fine cotton goods declined in 1924 by over a million pieces, or about 20 per cent.

Bituminous coal production in 1924 was 96,000,000 tons, or about 16 per cent below 1923. There were also much lighter tonnages of anthracite and coke. Crude petroleum showed reduced production in 1924, and gasoline production fell off over 30 per cent.

Locomotive shipments in 1924 were reduced, and automobile production dropped over 10 per cent—the first material decline in years.

The industrial list of restricted production in 1924 could be widely extended, but the fundamental indices, iron and steel and fuel, tell the story for the whole. There were exceptions, such as building operations and stock market and produce market inflations along about election day; but the bursting market bubbles in February and March following exploded the "prosperity" pretenses when the full industrial history of 1924 was divulged in the yearly reports.

Every Government official exhibit of 1924 business, after the annual returns of industrial production were finally reported, showed a radical reduction for 1924 as compared with 1923.

That brings to mind the report that came from New York in the Sunday newspapers that brokers' loans carried by banks now total $3,500,000,000. That amount is $1,400,000,000 more than was reported on March 6, 1924, and $1,500,000,000 more than was reported in February, 1920, which marked the high peak of after-the-war speculation. We have now a greater inflation than we had after the war, a period of inflation marked by a tremendous rise in values, particularly in the stock market. That started when the Federal Reserve Bank of New York on May 1, 1924, cut the rediscount rate to 4 per cent; later cut it to 3½ per cent, and in August, 1924, just before the election, cut it to 3 per cent, and when call money went to 2 per cent and brokers' loans increased in Wall Street from the 1st of August to the 1st of March something like $700,000,000.

Of course, we have an inflation in values and in the stock-market gambling profits, and some people call that prosperity. Under the pending tax bill the high surtaxes are eliminated, and those who make tremendous fortunes running into the billions of dollars will now escape their just share of taxes on wealth that they have never themselves produced but have merely collected this wealth from others through stock gambling in an orgy of inflation of credit for speculation.

I thought it was a rather interesting spectacle to watch the debate upon this tax bill. We spent something like a week trying to prevent the Government from collecting just taxes from the profits of those who made tremendous profits in the speculative market, and at the same time, on last Saturday, we spent practically a whole afternoon in trying to compel the farmers to pay taxes, not upon their profits but on their losses, when the Senate debated the question of the exemption of mutual farm-insurance companies.

The story in a nutshell is revealed by the employment tables published by three Government authorities: The Labor Bureau, the Commerce Department, and the Federal Reserve Board. And here is the employment record.

I am now comparing the prosperity of corporations in 1923 with 1924:

Iron and steel employment in 1924 is 14 per cent below 1923.

Textile employment is 12 per cent below 1923.

The entire industrial group covering all industries in 1924 is 10 per cent below 1923.

With lower average prices in 1924 than in 1923, there is only one conclusion possible, and that is that the industrial and thereby the corporate income of the country for 1924 was below that of 1923 by a heavy margin, and therefore that there was less corporate income in the country in 1924 to pay 1925 income taxes than the year before.

Our circumstantial case, Mr. President, is therefore complete.

1. Corporation income taxes paid in 1925 on 1924 income are $100,000,000 greater in 1925 than in the preceding year.

2. Corporation income in 1924, paying the 1925 taxes, was actually much lighter in volume than the year before.

Therefore, the increase in 1925 corporate income taxes came from corporations that had evaded their previous year's taxes; and those corporations we have in Table 8—the 165,000 which reported "no income" while paying $450,000,000 in cash and stock dividends.

What was the condition under the revenue law effective in 1925, different from that under the 1921 act, effective in the previous year, that caused these "no income" but dividend-paying corporations to disgorge? That also we know; it was publicity. They were faced by publicity at every step, in their returns, their refunds, their tax appeals. The value of publicity we may estimate in dollars and cents.

Secretary Mellon, overlooking the revenue-producing power of publicity, predicted a tax reduction of $450,000,000. There was an increase instead. On the basis of the Treasury estimate, therefore, the value of publicity is approximately $475,000,000 per annum in public revenue.

The lesson of the case is this: If the country retains and strengthens the publicity provisions of the forthcoming revenue bill, it can stand far greater reductions in tax schedules than the Treasury estimates. The greater the publicity, the greater the volume of revenue. But if secrecy should again be thrown over income-tax operations—secret returns, secret refunds, secret abatements, secret tax-appeal proceedings—it is a question if any material reduction in tax provisions can be made by Congress without danger to public revenue to support the Federal Government and its enterprises. Tax refunds under a régime of secrecy, aggregating $150,000,000 a year, further tax abatements and allowances running from $200,000,000 to $300,000,000 yearly, as they have been doing, and a further grand tax reduction by wholesale tax dodging and evasion, protected by secrecy, amounting to $400,000,000 a year or more makes an aggregate Treasury loss of about $800,000,000 a year. Secrecy is a greater tax reducer and revenue loser than any act of Congress. And the underlying evil of the case is that those most able to pay and enjoying the bulk of the taxable income are the ones who escape their lawful burden, while those who work the hardest for the smallest income have to bear the burdens of the dodgers.

Mr. EDGE. Mr. President, I only want to take the time of the Senate for about five minutes to express my views on the pending amendment.

After listening more or less to the five and three-quarter-hour discussion of the Senator from Nebraska [Mr. NORRIS] to-day, opposing the plan of the Finance Committee not to permit the publication of tax returns, it seems to me that his entire argument was that if publicity were permitted we would avoid unnecessary and unwarranted suspicion, as it were. As I followed him at different times during the discussion, he seemed to want to make it clear that he was not accusing any one of crime, but that the mere fact that there was not publicity of the details of the tax returns placed citizens under suspicion.

In my judgment, the reverse would result in placing the American taxpayer in a position where he would be perhaps not warranted but certainly encouraged to practice a type of evasion which, in the very natural course of his business responsibilities and obligations, he would feel necessary, in order, for one reason at least, that competitors might not be acquainted through recourse to his tax returns with the details of his business development.

In facing big problems of this character, I do not believe in proceeding on the assumption that men, generally speaking, are dishonest. I believe the old-established rule of evidence, as I understand it, from a layman's standpoint, that a man is presumed to be innocent until proven guilty, is a pretty good system for this old country of ours. If we are going to proceed on the assumption that a large proportion of the taxpayers of this country are dishonest, or that a large proportion of the personnel of the Internal Revenue Bureau are dishonest, then we are naturally going to create in a large proportion of our citizens a spirit of resentment.

We are certainly going to place the great army of business men throughout this country—and when I speak of business men I do not mean particularly the wealthy or signally successful business men; I mean business men of all classes, including the farmers, who are business men, and engaged in running a very important business—in such a position that evasion is bound to result.

All these insinuations and inferences that we hear from those who believe in unlimited publicity, referring particularly to the Internal Revenue Bureau, suggest the possibility that some of these refunds may have been improper. A Senator rises and interrupts and refers to a refund—perhaps in the case of the Gulf Refining Co., perhaps some other large or well-advertised refund—and, when questioned as to whether he knows whether there is anything wrong or improper or dishonest about it, he immediately replies: "No; but if we had publicity we would know better whether there was anything irregular about it."

Mr. President, I am very glad that I can not live with any satisfaction in an atmosphere of that type of suspicion. I have

great respect for my friend from Michigan [Mr. COUZENS], who has spent a great many days and weeks and months, perhaps, in a partial investigation of the activities of the Internal Revenue Bureau. As far as I have been able to follow his very intelligent presentation of his views as the result of this investigation, he does not actually make any definite accusations of corruption. He says these things sound unusual.

Mr. COUZENS. Mr. President, will the Senator yield?

Mr. EDGE. I yield.

Mr. COUZENS. The Senator quotes me correctly so far as fraud is concerned; but we did not, in the majority report of the committee, indicate at any time that there were no irregularities.

Mr. EDGE. I will change the word "irregularities" to "fraud." I think that is a better word. As I understand the internal-revenue system of handling large or small cases—particularly large cases, because they would involve very much deeper inquiry—they can not be handled by a single man. They go through various degrees of investigation, from the early day, perhaps, when the Collector of Internal Revenue is asked to make a cursory or summary investigation, from the day that some one appeals to the Internal Revenue Department for a referee, from the day that the referee investigates more or less, so far as his responsibility goes, as to whether the return has been a correct one or otherwise; and so it goes on through various departments of the Internal Revenue Bureau.

If I must accept the inference that many men are involved in an intrigue of some character to defraud the Government when these suggestions are made that perhaps these refunds were improper, these refunds that necessarily pass many eyes and many investigations; if I must believe that there is a combination in the Internal Revenue Bureau of the Government which operates from the early acceptance or early filing of such an application for a refund up until it is finally permitted by a board, or a referee, or perhaps the Board of Tax Appeals, I would feel that this Government was reaching such a position that we had almost better consider the establishment of a new form of government.

I do not believe in this continual suspicion. I believe that we will get 100 per cent more out of the citizens of this country by trusting them a bit not only in their tax returns but in any other matters that are more or less directed to the personal honesty and integrity of our citizens.

I believe that this feeling of suspicion encourages intrigue, encourages defiance, encourages protest and challenge; and if we ever adopt the Norris amendment, which provides for the publication of all the details of a tax return, both large and small, we are going to develop and encourage and almost invite a condition in this country where the business men of all classes perhaps will not defy but certainly will resist any such unwarranted inquisition into their personal matters, or the activities which probably have made them successful in their various business lines.

Trust your Nation if you want your Nation to respond to the high ideals of Americanism; and in my judgment, Mr. President, this whole idea of publication of tax returns is founded on a wrong principle, a principle of suspicion which never will win.

I simply wanted, at some time during the hour before the vote, which I understand is scheduled for 7.30, to say without reservation that I am absolutely opposed, even after a five and three-quarter-hour speech, to trying to remove suspicion by placing the public upon notice that you are suspicious. It is so inconsistent that it is not worthy of more than a six-minute answer.

Mr. REED of Pennsylvania. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER (Mr. SACKETT in the chair). The Secretary will call the roll.

The principal clerk called the roll, and the following Senators answered to their names:

Ashurst	Ferris	Lenroot	Robinson, Ind.
Bayard	Fess	McKellar	Sackett
Bingham	Frazier	McLean	Schall
Blease	George	McMaster	Sheppard
Bratton	Goff	McNary	Shipstead
Brookhart	Gooding	Means	Simmons
Broussard	Hale	Metcalf	Smith
Bruce	Harris	Moses	Smoot
Butler	Harrison	Norbeck	Stephens
Cameron	Heflin	Norris	Trammell
Capper	Howell	Nye	Wadsworth
Copeland	Johnson	Oddie	Warren
Couzens	Jones, Wash.	Overman	Watson
Edge	Kendrick	Pepper	Weller
Edwards	Keyes	Pittman	Williams
Ernst	King	Ransdell	Willis
Fernald	La Follette	Reed, Pa.	

The PRESIDING OFFICER. Sixty-seven Senators having answered to their names, there is a quorum present.

Mr. SIMMONS. Mr. President, I wish to put into the RECORD a telegram received to-day from the commissioner of internal revenue of my State in response to a telegram sent him by Representative LINDSAY C. WARREN, of my State. I shall first read Mr. WARREN'S telegram, and then the answer as follows:

FEBRUARY 8, 1926.

Hon. R. A. DOUGHTON,
Commissioner of Revenue, Raleigh, N. C.

Wire me immediately if inheritance and income tax returns are open to public inspection in North Carolina.

LINDSAY C. WARREN.

(Reply)

RALEIGH, N. C., *February 8, 1926.*

Hon. LINDSAY C. WARREN,
House of Representatives, Washington, D. C.

Inspection income returns prohibited by State. No prohibition as to inheritance returns. Inspection not encouraged by department.

R. A. DOUGHTON, *Commissioner.*

Mr. REED of Pennsylvania. Mr. President, before we vote on the pending amendment there are a few things which it seems to me ought to be understood by the Senate.

There will be filed in 1926 somewhere between six million and a half and seven million income-tax returns. Of those, probably two million to three million will show incomes below the point of exemption. They will be incomes which are not taxable. Nevertheless, under the provisions of the law, those returns will have to be filed.

Every Member of the Senate has before him this volume of the comparative print of the revenue law of 1924 and the bill now pending before the Senate. Let us, to visualize this problem, imagine all the returns to be printed on paper as thin as that used in this volume of the comparative print. As a matter of fact they are not, but let us suppose they are. These returns that will be filed this year, if printed on such paper as is used in the comparative print, would occupy 36,000 volumes of the size of this red booklet which I hold in my hand, the comparative print of these two laws.

Mr. WILLIS. Thirty-six thousand?

Mr. REED of Pennsylvania. Thirty-six thousand volumes would constitute the internal-revenue returns for a single year. If they were placed on a single shelf, they would occupy a shelf more than 3,000 feet in length. That is the body of the material with which the Bureau of Internal Revenue must deal each year.

Let us suppose, if you please, that that great body of material were open to the inspection of the general public, including the solicitors for charities, the prospectors who want to sell oil stock, the people who are preparing what are called sucker lists, the attorneys in Washington who are looking up cases out of which they think they may make something, and all of the thousand and one individuals who have a curiosity to pry into other people's affairs. Imagine a single shelf over 3,000 feet long, with 36,000 volumes the size of this one on it. Then imagine, if you please, 6,000 persons in the department of internal revenue trying to audit those returns in the midst of this throng of reporters, agents for oil stock, compilers of sucker lists, and others who would throng about that shelf, and you get some idea of what this fantastic proposition means in the administration of the Bureau of Internal Revenue. The practical difficulties, it seems to me, answer all of the theoretical advantages which have been urged throughout these hours of argument in favor of this proposition to which we have listened.

What can be done about it? It is perfectly obvious that the rights of the United States must be safeguarded. It is perfectly obvious that false returns must be detected by somebody. We turn to look to see what has actually been done. In the last four years and nine months refunds have been made amounting to about $450,000,000. We find, when we look to the figures, that $17,000,000 of that was directly ordered by Congress in 1924. We can not blame the bureau for that. We made them do it. That was in payment of the rebates we ordered in the law of 1924.

We find, when we look further, that the payment of $148,000,000 of that total was compelled by the decisions of the Supreme Court and of the Circuit Court of Appeals; and we can not blame the Internal Revenue Bureau for that. They merely obeyed the injunctions of the courts which decided the cases before them.

Looking at it fairly we see that in their solicitude to get the last penny that was coming to the United States, the bureau took $148,000,000 more from the taxpayers of the country than the law justified them in taking, and when a decision was rendered in favor of a taxpayer, of course, the bureau had to refund.

Mr. EDGE. Mr. President, will the Senator yield?

Mr. REED of Pennsylvania. I am glad to yield.

Mr. EDGE. Has the Senator made any effort to ascertain the amount of money received by the Internal Revenue Bureau through reassessments?

Mr. REED of Pennsylvania. I am coming to that.

Mr. EDGE. Demonstrating that even if a return were properly made, or a taxpayer had tried to evade honestly paying something he owed the Government, what the Government had gotten back.

Mr. REED of Pennsylvania. I am coming to that in just a moment.

Mr. WILLIS. Mr. President——

The PRESIDING OFFICER. Does the Senator from Pennsylvania yield to the Senator from Ohio?

Mr. REED of Pennsylvania. I yield.

Mr. WILLIS. While the Senator is on that point, will he not state very clearly, for the information of the country, just what the nature of a refund is. I make the request because I know that in the minds of a good many people the idea obtains that a refund is something which really belongs to the Government but which some generous official just gives back to the taxpayer.

Mr. REED of Pennsylvania. I am glad the Senator asked that, because throughout all the discussion has obtained the idea that when we speak of a refund it meant an individual who by some kind of chicanery secured a check from the Government for Government funds which were paid to the taxpayer and covered by him into his own pocket and that the Government was out of pocket that amount. A refund, Mr. President, is a tax illegally collected. A refund indicates that through excessive zeal the authorities in the Bureau of Internal Revenue have taken from the taxpayer without regard to his momentary needs a large amount of tax which he did not owe. They have taken it from him regardless of the difficulties of his business situation at the moment. They have made him pay it into the United States Treasury and they have held the money in the Government Treasury when in all fairness and truth it belonged to the taxpayer himself. Yet we see paraded in the reports of the investigation of the Bureau of Internal Revenue a list of refunds that looks as though those individuals had taken that much money from the Government. Every one of those refunds, every dollar that is in them, constitutes a tax illegally collected.

Mr. COUZENS. Mr. President, will the Senator yield?

Mr. REED of Pennsylvania. I am glad to yield to the Senator.

Mr. COUZENS. Does the Senator know that and has he checked them up to know that they have all been illegally collected?

Mr. REED of Pennsylvania. I know they have been or they would not be paid back.

Mr. COUZENS. The taxpayer did not pay them in voluntarily, and then ask for a refund, but they were all illegally drawn out of the taxpayer?

Mr. REED of Pennsylvania. Sometimes the taxpayer did pay them voluntarily, and sometimes he did not ask for a refund. Sometimes the bureau officials, checking them over, found that he had paid too much. It has happened to me, and it has happened to the Senator, I dare say.

Mr. COUZENS. Yes; it has.

Mr. REED of Pennsylvania. And they deliberately paid it back because we paid too much of our own accord. Sometimes they compelled too much to be paid, and in other cases it is money which the Government can not in good conscience hold on to for one moment after the illegality of the payment is ascertained. When we talk about "refunds" we must remember that it is the taxpayer's own money that is coming back to him and which never ought to have left him. So let us remember the fact when we are looking over the schedule of refunds that these are people from whom the United States has borrowed money without any warrant of law to do so, and in all good conscience it ought to be paid back.

I have spoken about the amount of refunds. In all it is about $450,000,000 in four years and nine months.

Mr. WARREN. Mr. President, may I interrupt the Senator?

Mr. REED of Pennsylvania. Certainly.

Mr. WARREN. The collections that have been made since the income tax law was enacted have amounted to something like $570,000,000 in the entire time.

Mr. REED of Pennsylvania. Yes; $570,000,000 since the income tax law was enacted.

Mr. WARREN. And we have collected more than $30,000,000,000 in the meantime.

Mr. REED of Pennsylvania. About one-sixtieth of all the money collected has been refunded to the taxpayer. Let me carry the picture a little further. Something over $200,000,000 has been refunded because the bureau found the taxpayer had paid too much, either voluntarily or under compulsion.

Now, let us turn to the other side of the picture. Let us see what the bureau itself, working under the methods that Congress has laid down for it, has done for the Treasury of the United States. During this time they have collected from the taxpayers on a reaudit of the returns of the taxpayers $2,800,000,000. So efficient has been the audit of the bureau in that time that they have discovered shortages in the tax returns amounting to nearly $3,000,000,000, and that amount has been collected, gathered into the Treasury of the United States by those officials whom we have heard condemned here to-day, working silently, faithfully, underpaid, under immense temptation. They have collected $2,800,000,000 more than the returns showed was due. Then we begin to have shivers about whether the interests of the United States are adequately protected.

Now, Mr. President, it is worthy of note that although the Couzens committee began its investigation back in 1924, about two years ago, although they have had the most diligent prosecution of their inquiry from the Senator from Michigan—and I do not utter one syllable of reproach for what he has done; although they have had the most able assistance from Mr. Manson, who, in my judgment, is one of the most capable of the tax experts that we have here in Washington; although they have had a staff of upward of 75 experts working for them; although they have had the free run of all of the records of the Bureau of Internal Revenue; although they have had a free hand in their archives and have been able to see every letter written and have been able to know everything that was done; although they have investigated with all the care they could during these two years, yet the collections——

Mr. COUZENS. I hope the Senator will permit me to interrupt him?

Mr. REED of Pennsylvania. I gladly yield.

Mr. COUZENS. There were not two years involved. The Senator will remember that from the time the resolution was first introduced until the time we were permitted to have any money to conduct the investigation a considerable period elapsed. The first resolution was introduced in March, 1924. I have not all the dates here, but we were some considerable time without any funds. The Senator will recall that it was some time along in April or May when we were given funds. After we were given authority I went to the hospital and nothing was done from April until the following fall after I got out of the hospital. The then chairman of the committee, the Senator from Indiana [Mr. WATSON], never prosecuted the investigation, never employed an individual, and never started the investigation. As a matter of fact, the investigation was carried on for less than a year.

Mr. REED of Pennsylvania. Very good. The Senator from Michigan knows that I do not want to say anything that would be an overstatement about their work; but I think he will agree with me that in the investigation they made they worked with a fine-tooth comb, they worked ably, they worked assiduously, and during all the time the Senator from Michigan was able to superintend the investigation they left no stone unturned to come to the truth of the situation in the bureau. I mean that quite as I say it and without any oblique reference to the Senator.

Mr. COUZENS. Mr. President, will the Senator yield again?

Mr. REED of Pennsylvania. I am glad to yield again to the Senator from Michigan.

Mr. COUZENS. I would like to remind the Senator that our time expired, as he will recall, in the early spring of 1925. After considerable urging we got authority to continue the investigation until June 1, 1925, when we were required to withdraw from the bureau. I submit, and I intend to make the report before I get through, that we did not discuss the auditing section. We did not investigate the auditing section because of the campaign conducted by the Treasury Department before the Finance Committee and others to get us out of the bureau so as to save what they said was interference with their work. I think that is correct history. I do not want the Senate to get the impression that we anywhere nearly covered the field.

Mr. REED of Pennsylvania. I am very glad to agree with what the Senator has said. The work was so vast that they were not able to cover all the activities of the bureau, and I do not mean in any way or in anything that I say to ask him to absolve the bureau in any of its activities. What I do say is that what they investigated was investigated well, was investigated thoroughly, and they did not spare anybody, friend or foe.

Mr. COUZENS. That is true.

Mr. REED of Pennsylvania. I think that is a fair statement. Now, let me call the attention of the Senate to what the conclusion of all that was as disclosed by the testimony of Mr. Manson, the chief counsel of the committee, who testified before the Finance Committee, at page 70 of their hearings. He had been talking about amortization allowance. This examination of Mr. Manson occurred within the last six weeks. In the course of that examination I asked him about the amortization allowances on which the principal criticism had been based, if I gather the point correctly. The question was:

May I ask one question more? In these cases, speaking generally, is the excessive allowance in your judgment due to mistakes of the bureau or is it due to corruption?

Mr. Manson replied:

Oh, I do not maintain that it is due to corruption. I do not maintain that. Get that straight.

Senator REED of Pennsylvania. I am asking in all sincerity because I am not familiar with the facts.

Mr. MANSON. Oh, no.

Senator REED of Pennsylvania. Have you found any evidence of corruption?

Mr. MANSON. Oh, no. I have not any evidence of corruption. This matter of amortization is largely in my opinion a question of law.

Again, on page 73, I came back to the matter, and asked:

You understand me, I am not taking any position for or against it, but in all other wars there have been so many charges of that sort. Here was evidently a very great opportunity for it and I am, just as a matter of public interest, asking whether you ran upon any traces of it, although I know that you were not making a particular search for that sort of thing.

Mr. MANSON. I am not a detective.

Senator REED of Pennsylvania. I know you are not.

Again I said:

I am not asking this in any way in criticism of you or the committee.

And Mr. Manson replied:

I am frank to say that I am not a detective, for I have not been hunting graft. I have been trying to get at how things have been done in the bureau for the purpose of seeing how I could suggest improvements.

Mr. President, $30,000,000,000 was collected in the bureau in the last nine years. The committee, which could not be accused of being unduly friendly, had access to everything in the bureau. The committee were the butts, if I may use that term, for every disgruntled employee in the bureau. Every man with a grouch came to the committee to tell his troubles, and yet, from the chief counsel of the committee came the statement that as a result of it all, in the collection of that $30,000,000,000, he had no evidence whatever of corruption. I pass that point right there.

Mr. President, this afternoon the Senator from Nebraska [Mr. NORRIS] was talking about the results to the public of the lack of publicity. He said that it is conceded that the Government has lost because of secrecy.

It is not conceded, Mr. President. It is not conceded by any person who has studied the functioning of the Bureau of Internal Revenue that there has been any loss because of the prevailing practice of respecting in that bureau the privacy of men's affairs. If there were a loss, if every irregularity that has been pointed out involved a loss, if every difference of opinion about the construction of the law were held to be a loss to the Government, I say—and I believe that the country will back me in it—that that loss is less than the value of the privacy that has resulted.

For centuries men have been fighting for the right to mind their own business. Our Constitution could not be ratified until we agreed, among the first 10 amendments, to the fourth amendment, which provided against unreasonable searches and seizures. We would not have any Constitution to-day, we would not have any Congress or Senate or Government at Washington if we had not agreed that unreasonable searches and seizures should be avoided, should be illegal, should be prohibited to the National Government that was being erected. That privacy that men fought for, that right to mind their own business is preserved for them in the fourth amendment of our Constitution. Now, forsooth, so that any long-nosed gossip may intrude his curiosity into any man's affairs, we are asked to expose to public ridicule, to the curiosity of competitors, to the public gaze all of the intimate personal affairs of the millions of taxpayers of the United States.

What reason has been given for doing so? I listened with attention to the five or six hours of argument which we had to-day from the Senator from Nebraska [Mr. NORRIS], and all I could find in his argument in favor of publicity of tax returns was the contention that as the assessment lists of our cities and counties are made public so similarly should the assessment lists of income taxation be made public.

It is perfectly obvious that the distinction is fundamental. We make public the assessment lists of the city or of the county so that each taxpayer may know the assessment that is placed on the real property or the personal property of his neighbor in order that he may make sure that his lot is not assessed more per front foot than is the lot of his next-door neighbor; and proper enough is it that it should be so. Such assessments are made public, for each taxpayer has a natural interest in seeing that his land is not assessed at a higher rate than that of the man who lives next to him. However, in income taxation that reason ceases to exist. We are dealing with money values. It does not help me at all to know how my neighbor's income runs, because, whatever it may be, it is reported in dollars just as is mine. It is not a question of contrasting assessments or property which has not any exact money value. Every reason for publicity in city and county returns ceases when we come to income-tax returns of the United States Government.

Mr. NORRIS. Mr. President——

The VICE PRESIDENT. Does the Senator from Pennsylvania yield to the Senator from Nebraska?

Mr. REED of Pennsylvania. I am glad to yield to the Senator.

Mr. NORRIS. Does the Senator from Pennsylvania contend that it makes no difference to a taxpayer whether his neighbor or somebody who is not his neighbor, in fact, anyone in the United States, is not making a full return of his income? Does the Senator not know if one man understates his income that the man who does not understate his income has his burdens increased to the same extent that the man who owns a lot must pay a higher tax if his neighbor's lot of equal value is assessed at a lower rate?

Mr. REED of Pennsylvania. Of course, Mr. President, I know that just as I know that all of the exemptions with which we are loading the income tax law put the burden of government on a few people where it should be borne by all. Of course I know that by these exemptions that Senators vote into the income tax law every year in order to appeal to this class of voters or that class, what they are actually doing is piling the burden of the cost of government onto a part of the population which should be borne by all.

Mr. NORRIS. Mr. President——

The VICE PRESIDENT. Does the Senator from Pennsylvania further yield to the Senator from Nebraska?

Mr. REED of Pennsylvania. I am glad to yield.

Mr. NORRIS. The Senator from Pennsylvania is discussing a different proposition entirely now from what he was discussing when I interrupted him. As I understand, he admits the contention which I have made; and he is not now even claiming that it is going to harass the taxpayer or be an injury to him because his income tax is made public any more than the owner of the lot is harassed because his tax is made public.

Mr. REED of Pennsylvania. Mr. President, the Senator from Nebraska was not present when I began, and he did not hear what I said about the number of returns.

Mr. NORRIS. I did hear what the Senator said, however, about it making no difference to the taxpayer; that he was not interested in the income tax paid by his neighbor or some other individual. I did hear that; and that is what my question was directed to. The Senator has now admitted that he is interested, as is every taxpayer, in knowing that no other taxpayer has taken advantage of the Government but that he has returned his full income.

Mr. REED of Pennsylvania. Of course, I am interested in that, Mr. President. If my neighbor does not pay his full share, then that is an unfair burden that I have to bear that he ought to bear; that is perfectly self-evident; but the question is, How can we best remedy that situation? Can I come to Washington and examine these million and a half tax returns in order to make sure that all my fellow citizens are paying their fair share? Of course, I can not.

Mr. NORRIS. Mr. President, the Senator forgets that as to the value put on the two lots about which he is speaking, which are located side by side, the very fact that the assessments are made public will prevent a man from understating the value of his lot; so the very fact that the income tax is made public will prevent the dishonest man from making a dishonest return.

Mr. REED of Pennsylvania. Mr. President, I have used nearly half an hour out of a long day, and I feel that I have taken too much time. I am going to quit with one more remark.

We ourselves can not do this thing. We have got to do it by some other authority. The Finance Committee, in section 1203 of the pending bill, which Senators will find at pages 328 to 331, have constituted a joint committee of Congress with power to inquire into everyone's returns, with power to employ auditors and clerks and to make inquiries that no single individual has power to make. That provision was drawn, as I understood, to the full satisfaction of the Senator from Michigan [Mr. COUZENS] and of the other Senators who are members of the select investigating committee. We have gone as far in reason as an American Congress ought to go in establishing an independent public scrutiny of income-tax returns, and on that point I ask the Congress to stand. I am glad to yield now to the Senator from Connecticut [Mr. BINGHAM], who has been standing for some time.

Mr. COUZENS. Mr. President——

Mr. REED of Pennsylvania. And then I will yield to the Senator from Michigan.

Mr. COUZENS. Has the Senator yielded the floor, or does he still retain the floor?

Mr. REED of Pennsylvania. I am retaining the floor for the right to answer either of the Senators, but I yield first to the Senator from Connecticut.

Mr. BINGHAM. Mr. President, would the Senator be willing to listen to a few remarks with reference to the bearing of the fourth amendment to the Constitution on this question?

Mr. NORRIS. Mr. President, I make the point of order that the Senator from Pennsylvania can not yield the floor for that purpose.

Mr. SMOOT. He can yield the floor.

Mr. NORRIS. Of course, he can yield the floor if he wants to.

Mr. REED of Pennsylvania. Mr. President, in fairness to the Senator from Michigan and to the Senator from Connecticut, both of whom want to be heard on this subject—and I realize I have taken more time than I ought to have taken or than I meant to take—I am going to ask that the unanimous-consent agreement be modified so as to put the vote at 7.45 p. m.

SEVERAL SENATORS. Oh, no!

Mr. REED of Pennsylvania. Just a minute. I ask that the vote be postponed to 7.45 p. m. instead of 7.30. That will make only 15 minutes difference, and in fairness I think it should be done.

Mr. BRUCE. Mr. President, I am very sorry to do so, but I object.

Mr. BINGHAM. Mr. President——

Mr. COUZENS. Mr. President, I wish to ask the Senator a question, and I should like him to answer it before he takes his seat. When the special investigating committee agreed with the Finance Committee on the amendment provided in section 1203, we, of course, assumed—and I still assume—that section 1203 would be carried out in all good faith by both committees of Congress.

Since we have agreed to that, however, intimations have been made that, because of the leaders of these committees not being in sympathy with the investigation, we may not expect it to be carried out in good faith. I ask the Senator from Pennsylvania, who is a very active and able member of the Finance Committee, if we may feel assured that the provision in section 1203 is to be carried on in good faith?

Mr. REED of Pennsylvania. Mr. President, I am not captain of anything but my own soul, but, so far as I am concerned, it will be.

Mr. SMOOT. And I will say to the Senator that this is the first time I have heard any intimation that it would not be carried out in good faith or that any person has made such a remark. It is the first time I have heard of such a thing from the time the bill was reported to the Senate up to this very minute.

Mr. COUZENS. I did not say, Mr. President, the Senator from Utah had said that it would not be carried out in good faith; I do not charge the Senator from Utah now with any such idea touching this case; but I say some Senators who believe that we have done very constructive work have been afraid that the continuation of this investigation, which needs to be continued, would not be carried out in good faith.

Mr. WATSON. There is no question about it being carried out in good faith.

Mr. COUZENS. With the assurance of Senators, I have no reason to doubt it, but the question has been raised with me and I wanted to raise it in open Senate and not behind closed doors.

Mr. BINGHAM. Mr. President, there will be nothing personal in what I have to say. Furthermore, what I shall say is not said with any idea of trying to make any Senator come to my opinion about any of these questions, but because I believe it to be my duty to state very briefly and informally certain convictions. I do not desire to attempt to convert anybody. I trust that it will not be regarded as presumptuous if I present my views at this time.

There are three observations which I should like to make. In the first place, it seems to me that in certain of the amendments offered to the pending revenue bill, and in certain of the speeches, there is a forgetfulness of, or perhaps, let us say, a tendency to disregard, one of the fundamental principles which has made our country a happy land, perhaps the happiest and most free from tyranny and despotism of any recorded in the annals of history. That principle is the fundamental one, which we all accept, but whose application we sometimes neglect, namely, that a man is to be held innocent until he is proven guilty. Our country has been peculiarly blessed in the past because of its charitableness. We are told in the Bible that "charity thinketh no evil." The modern worldly-wise man smiles with scorn at such a simple doctrine. To him most people are "trying to put something over" and must be watched.

It is true that there are many countries where a man accused of wrongdoing must prove his innocence. He is held to be guilty unless he can prove the contrary. We read in the pages of history of the burden of tyranny and oppression in certain countries of the Old World, where the average citizen was under constant suspicion of breaking the law or of doing something contrary to the regulations. No person can live happily in a family where his actions are constantly suspected. No citizen can live happily in a city where the authorities are constantly suspicious of him and his actions. It has been the glory of the United States that an American might live his life without laboring under the suspicion of his Government. It is true that people have taken advantage of this. Wrongdoers have profited by it. Crimes have been committed; thousands of murders have been committed. Is that any reason why every citizen should report to the police once a month or once a year and should leave his blinds up and his door unlocked so that the police might enter his house at any time to see whether he was engaged in plotting or committing murder or even a lesser crime? Let us not forget the fundamental American principle of presumption of innocence. Liberty and the pursuit of happiness can not be enjoyed if our attitude is to be one of suspicion.

My second point is this: It appears to me that there has been a growing tendency during the past few years—a tendency to which attention has been called in recent debates in the Senate—to forget a principle and an injunction as old as the Ten Commandments and as sacred to us as the Constitution of the United States. It will be remembered, Mr. President, the Tenth Commandment warns us against the sin of covetousness, which apparently was then and still is one of the most common of human failings. The governments of antiquity, the tyrants of the Middle Ages and of the earlier centuries of modern history were particularly prone to covetousness. The prosperous man was always a shining mark. To appropriate the evidences of his prosperity was an easy way for every sovereign, whether he were monarch, oligarch, or demagogue, to enrich his treasury, to provide for his necessities, to make up for his excesses and extravagances. Sometimes without process of law, more frequently through different forms of taxation or legal assessments, the property of the thrifty and the prosperous citizen was seized by the tyrants of antiquity. If my memory serves me, there was seen in southwestern Europe in the sixteenth century a wholesale persecution and even exile of a thrifty, hard-working race because they had become vastly more prosperous than their rulers. Laws were passed which eventually deprived them of their property and drove them out of their country or the country in which they lived and which presumably they loved.

Our Constitution provides that private property shall not be taken for public use without just compensation. It recognizes not only the right to life and the right to law, but the right to property. It recognizes no stigma attaching to the man who through his zeal, thrift, intelligence, and good fortune has accumulated far more than his neighbors.

It makes no appeal to the man who through misfortune or extravagance, or stupidity, or wastefulness, or faults of others has not been able to accumulate property. On the other hand, it recognizes the importance of giving everyone a square deal and protecting him in the possession of that which he has acquired, and of taking nothing from him without just compensation. Sometimes we forget this clause in the Constitution. Sometimes we feel that a "square deal" involves legislation approaching socialism or communism—beautiful theo-

ries which whenever tried have always resulted in unhappiness and disaster. Let us do nothing to pander to any spirit of envy or covetousness. Liberty depends on the right to enjoy the fruits of labor, either physical or mental.

In the third place, Mr. President, the Constitution of which we are so proud and which has been justly praised so often even by foreigners who are envious of our prosperity and our happiness has assured—

the right of the people to be secure in their persons, houses, papers, and effects against unreasonable searches and seizures.

The Constitution promises that these rights shall not be violated and that no warrants shall issue—

but upon probable cause supported by oath or affirmation.

It seems to me, Mr. President, that there is a tendency to forget this part of our constitutional Bill of Rights. It seems to me that some of our best and most conscientious citizens sometimes become so wrought up over certain abuses which have arisen under the protection of this clause of the Constitution that they are anxious to amend it or, if not to amend it, to nullify it. I realize, Mr. President, that certain States, both in the North and in the South, have at times felt justified in entering upon acts of nullification not only of our statute laws, but also of certain provisions in the Constitution. Nevertheless I submit that there is nothing which is more characteristic of that tyranny and despotism from which our fathers fled in the Old World, nothing which interferes so greatly with those inalienable rights to life, liberty, and the pursuit of happiness as a practice which contravenes this right. The citizens of the United States have the constitutional right to be secure in their persons, houses, papers, and effects. Of course, when a citizen commits a crime and a grand jury or other authority discovers probable cause for search or seizure, the Constitution provides that the citizen forfeits this particular right.

The point which I am making, Mr. President, is that there appears to be a tendency on the part of certain earnest and zealous citizens, anxious for the public welfare, to do away with this right. They seem to be acting on the theory that human beings are so prone to err that there always is likely to be "probable cause" and that the public welfare demands that our right to be secure in our persons, houses, papers, and effects must be sacrificed.

Mr. President, some of the most notorious tyrants and despots of history were earnest and zealous men, striving to carry out their most sacred religious beliefs, striving to make sure that their subjects should be safe from eternal damnation, striving to give their countries good government, striving to promote the public welfare. Had they been asked, they probably would have said that they believed in a benevolent despotism. I have heard citizens of the present day express the same opinion. "Liberty" to such people is either not a very precious possession or else it is interpreted as the liberty of government to correct all human ills. If I may paraphrase the words of our distinguished President in his recent message to Congress, I believe that it does not at all follow that "because abuses exist it is the concern" of the Congress to attempt their reform in such a way as to deprive a citizen of his rights, when he has done no wrong and when no one can either swear or affirm that there is probable cause for search, and that in the interests of justice he deserves to be seized and his house and his papers to be searched.

There are some who believe that tyranny and despotism only exist under monarchies, oligarchies, or autocracies. It seems to me that they have failed to read history. Plato, observing the action of the Greek Republics, was led to affirm that "tyranny springs from democracy," even though the citizens of a democracy are at the time unconscious of it. Let it not be said of us, Mr. President, that our zeal for reform ever led us to sacrifice the liberties, the comforts, and the happiness of thousands of innocent citizens whose desire it is to maintain their own self-respect, to be self-reliant, to mind their own business, and to lead their own lives without interfering in the slightest degree with the liberty of others to do the same. The fathers who drew the Constitution were well aware that the zeal of former lawmakers and government officials had frequently led them to seize persons on suspicion, to enter houses on suspicion, to search papers on suspicion, feeling justified if they found that a percentage of the citizens had committed acts which justified this suspicion.

Let us hold fast to the constitutional provision which the fathers gave us. Let us not relinquish any of the provisions which, taken together, constitute the blessings of liberty. Let us beware of becoming unconscious of those precious privileges which, important as the air we breathe and as the water we drink, are, like them, frequently taken for granted and not appreciated until they become foul or impossible to procure. Let us hold fast to these constitutional rights and ask ourselves when proposing or voting for legislation here propounded whether we are in any danger of permitting our zeal to correct wrongs or to punish wrongdoers to interfere with our solemn duty to support and defend the Constitution and to bear true faith and allegiance to the same.

Mr. BRUCE. Mr. President, I did not know that the extension of time was asked for the benefit of the Senator from Connecticut. I withdraw my objection.

The VICE PRESIDENT. The hour of 7.30 o'clock p. m. having arrived, the Senate, under the unanimous-consent order, will proceed to vote on the amendment of the Senator from Nebraska [Mr. NORRIS] to the amendment of the committee, on which the yeas and nays have been ordered.

SEVERAL SENATORS. Let it be read.

The VICE PRESIDENT. The amendment of the Senator from Nebraska [Mr. NORRIS] to the amendment of the committee will be stated.

The CHIEF CLERK. On page 113, line 1, after the word "records," strike out the remainder of the paragraph and insert "and shall be open to examination and inspection as other public records under the same rules and regulations as may govern the examination of public documents generally," so as to read:

SEC. 257 (a) Returns upon which the tax has been determined by the commission shall constitute public records and shall be open to examination and inspection as other public records under the same rules and regulations as may govern the examination of public documents generally.

The VICE PRESIDENT. The clerk will call the roll on agreeing to the amendment to the amendment.

The Chief Clerk proceeded to call the roll, and Mr. ASHURST voted in the affirmative.

Mr. SMOOT. Mr. President, I was requested by a number of Senators to suggest the absence of a quorum.

Mr. ASHURST. I withdraw my vote.

SEVERAL SENATORS. Regular order!

Mr. COUZENS. I suggest the absence of a quorum.

The VICE PRESIDENT. The vote will proceed. The Secretary will continue the calling of the roll on the so-called Norris amendment.

The Chief Clerk resumed the calling of the roll.

Mr. FERNALD (when his name was called). I have a general pair with the senior Senator from New Mexico [Mr. JONES]. I transfer that pair to the senior Senator from Vermont [Mr. GREENE], and will vote. I vote "nay."

Mr. FLETCHER (when his name was called). I have a general pair with the junior Senator from Delaware [Mr. DU PONT]. I understand that if that Senator were present he would vote as I shall vote. I vote "nay."

Mr. JOHNSON (when his name was called). I am paired with the senior Senator from Arkansas [Mr. ROBINSON]. If at liberty to vote I should vote "yea."

Mr. MEANS (when his name was called). I have a pair with the junior Senator from Texas [Mr. MAYFIELD]. I am advised that if he were present he would vote "yea." If I were at liberty to vote I should vote "nay."

Mr. NEELY. The junior Senator from Texas [Mr. MAYFIELD] is unable to be present because of illness. If he were present he would vote "yea."

Mr. SIMMONS (when the name of Mr. ROBINSON of Arkansas was called). I was requested by the senior Senator from Arkansas to state that if he were present he would vote "nay." I understand that he has a pair, but I do not know with whom.

The roll call was concluded.

Mr. JOHNSON. I am advised that I can transfer my pair to the senior Senator from Iowa [Mr. CUMMINS]. I do so, and vote "yea."

Mr. NORRIS. The junior Senator from Iowa [Mr. BROOKHART] is paired with the junior Senator from Arkansas [Mr. CARAWAY]. If the junior Senator from Iowa were present and at liberty to vote he would vote "yea."

Mr. SIMMONS. And the junior Senator from Arkansas, if present, would vote "nay."

Mr. WALSH. I rise to announce that my colleague [Mr. WHEELER] is absent on account of illness. If he were present he would vote "yea." He is paired with the Senator from Kansas [Mr. CURTIS].

Mr. JONES of Washington. I desire to announce that the Senator from Colorado [Mr. PHIPPS] has a general pair with the Senator from Tennessee [Mr. TYSON].

I also desire to announce that the senior Senator from Kansas [Mr. CURTIS], if present, would vote "nay." He is absent on account of illness.

The result was announced—yeas 32, nays 49, as follows:

YEAS—32

Ashurst	Frazier	King	Norris
Blease	Gooding	La Follette	Nye
Borah	Harris	Lenroot	Reed, Mo.
Bratton	Heflin	McKellar	Sheppard
Capper	Howell	McMaster	Shipstead
Couzens	Johnson	McNary	Smith
Dill	Jones, Wash.	Neely	Trammell
Ferris	Kendrick	Norbeck	Walsh

NAYS—49

Bayard	Fess	Metcalf	Smoot
Bingham	Fletcher	Moses	Stanfield
Broussard	George	Oddie	Stephens
Bruce	Gerry	Overman	Swanson
Butler	Gillett	Pepper	Wadsworth
Cameron	Glass	Pittman	Warren
Copeland	Goff	Ransdell	Watson
Dale	Hale	Reed, Pa.	Weller
Deneen	Harreld	Robinson, Ind.	Williams
Edge	Harrison	Sackett	Willis
Edwards	Keyes	Schall	
Ernst	McKinley	Shortridge	
Fernald	McLean	Simmons	

NOT VOTING—15

Brookhart	du Pont	Means	Tyson
Caraway	Greene	Phipps	Underwood
Cummins	Jones, N. Mex.	Pine	Wheeler
Curtis	Mayfield	Robinson, Ark.	

So Mr. NORRIS's amendment to the amendment of the committee was rejected.

The VICE PRESIDENT. The question is on the amendment of the committee.

Mr. COUZENS. Mr. President, while we have a fairly good attendance here, I want to register a complaint against unanimous-consent agreements. I consider that I was tricked by the Senator from Utah, the chairman of the committee.

Mr. SMOOT. In what way?

Mr. COUZENS. I propose to tell.

The Senator was anxious for a vote on this question, the same as he has been anxious for a vote on every question. He has wanted to railroad this bill through the way he wants it. When I went to him to-night and suggested that we had an hour and a half and that I would not require more than half or three-quarters of an hour to reply to the minority report of the Senator from Kentucky [Mr. ERNST] the Senator from Utah said that he would try to arrange a unanimous-consent agreement to vote at 7.30. At that time there was an hour and a half remaining. The Senator from Pennsylvania [Mr. REED] at once got the floor, and then surrendered it at the request of the Senator from Utah. The Senator from Connecticut [Mr. BINGHAM] was going to speak, and he said that he was not going to speak at this time; so it was perfectly obvious that within the hour and a half the argument that I proposed to put in in behalf of this amendment was blocked by the sharp practice of the Senator from Utah.

I want to go on record right now as saying that I will never consent to any future unanimous-consent agreement with the Senator from Utah in charge of any bill.

Mr. SMOOT. That the Senator has a perfect right to do, but I want to say, Mr. President——

Mr. REED of Missouri. Mr. President——

Mr. SMOOT. I have the floor, I think.

Mr. REED of Missouri. I rise to a point of order.

The VICE PRESIDENT. The Senator will state it.

Mr. COUZENS. I have not yielded the floor.

The VICE PRESIDENT. The Senator from Missouri will state his point of order.

Mr. REED of Missouri. My point of order is that the Senator from Michigan is violating the rules of the Senate by impugning the integrity of the Senator from Utah.

The VICE PRESIDENT. The Senator from Michigan will take his seat.

Mr. SMOOT. All I want to do is to show the unfair——

Mr. WATSON. The Chair has ruled the point of order well taken.

Mr. SMOOT. Now, Mr. President——

Mr. MOSES. What is the Senator from Utah doing? Is he speaking now to a question of personal privilege?

Mr. SMOOT. I do not care how I speak, Mr. President, just so I can tell the story.

When the unanimous-consent agreement was reached, the Senator from Pennsylvania [Mr. REED] expected to offer some administrative amendments which he had then and intends to offer now. He came to my desk and said: "Shall I proceed with the offering of these amendments and get them out of the way?" I said: "I would not do that, Senator, if I were you. Let the balance of the time be occupied in discussing the bill, and then we will offer those amendments, after we have voted upon the Norris amendment and agreed to the publicity section." That was all that was said and all that was done; and I can not conceive of the mind that would charge a Senator now with something that was not in his heart, nor ever thought of, nor ever said.

Mr. President, I ask the Senator from Pennsylvania if that was not all that was said, and if that is not just the way it was said?

Mr. BORAH. I do not suppose we need to take testimony on this proposition.

Mr. REED of Pennsylvania. Mr. President, I would like to say a word on that.

Mr. McLEAN. Why not take testimony?

Mr. WADSWORTH. Why not? There were several others in it.

Mr. BORAH. Very well; we will take testimony, then.

Mr. REED of Pennsylvania. Mr. President, when the Senator from Nebraska [Mr. NORRIS] finished speaking, I got the floor. The Senator from Michigan [Mr. COUZENS] called for a quorum. While the roll was being called, the Senator from Utah came in, and I said to him, "I want to talk about five minutes in reply to Senator NORRIS. I have a number of administrative amendments to offer, and this is a good chance to offer them. We might as well get rid of them now." He said, "Do not do it. Let us finish with the pending amendment. I want all of our people to keep quiet and let this amendment be voted on." And because of that, when the quorum had been announced, I yielded the floor without saying anything.

Mr. BINGHAM. Mr. President, I rise to a question of personal privilege.

Mr. REED of Missouri. Mr. President, I ask the Senator to pardon me just a moment. I made the point of order because I thought the Senator from Michigan had gone outside the rule. Under the rule, of course, the Senator from Michigan was compelled to sit down until the Chair should rule upon the point. I have no notion of compelling the Senator from Michigan to sit down and then have the discussion proceed to which he can not reply. I think this point of order ought to be disposed of, and then the Senate ought to permit the Senator from Michigan to proceed in order.

The VICE PRESIDENT. A motion is in order to permit the Senator from Michigan to proceed.

Mr. REED of Missouri. I move that the Senator from Michigan be permitted to proceed in order, so that he can reply to these observations if he cares to do so.

The motion was agreed to.

The VICE PRESIDENT. The Senator from Michigan may proceed in order.

Mr. COUZENS. Mr. President, I really could not proceed in order, in the contemptuous mood in which I am in at the present time. So I will have to take my seat.

Mr. BINGHAM. Mr. President, since my name has been brought into this discussion, and the Senator from Utah has been accused of using me as one of two to prevent the Senator from Michigan from speaking, I would like the privilege of making a brief statement. When I told the Senator from Michigan that I did not intend to speak it was on the understanding that we were to sit until 10 o'clock to-night and that no vote was to be held as early as 7.30. When I heard that an unanimous-consent agreement had been entered into whereby we would vote at 7.30 o'clock I told the Senator from Utah that I desired to speak. He then asked me to defer my remarks until after 7.30. That is the way the Senator from Utah carried out his understanding, by asking me to defer my remarks. I said that since my remarks were concerned with this amendment, and since I had sat here during five or six hours this afternoon while the other side had presented their arguments, I wanted to occupy 10 minutes. Actually, I took less than 10 minutes.

THE COAL SITUATION

Mr. COPELAND. Mr. President, I send a newspaper clipping to the desk, and ask to have it read by the clerk.

The VICE PRESIDENT. The clerk will read.

The Chief Clerk read as follows:

[From the Washington Post, Monday, February 8, 1926]

MINE STRIKER'S WIFE DIES OF STARVATION

ASHLAND, PA., February 7.—The first death by starvation as a result of the anthracite strike was reported by the police to-day.

It was that of Mrs. Mary Harrington, of Mahanoy City, wife of a miner and mother of several children. The woman's husband had left the coal region to find work elsewhere. What food she had, the authorities said, she had given her children, and she was "too proud" to ask aid.

Mr. REED of Pennsylvania. A parliamentary inquiry.

The VICE PRESIDENT. The Senator will state his inquiry.

Mr. REED of Pennsylvania. Is the pending amendment the committee amendment in section 257?

The VICE PRESIDENT. The pending amendment is the committee amendment on the top of page 113, in section 257.

Mr. REED of Pennsylvania. Question!

Mr. COUZENS. Mr. President——

The VICE PRESIDENT. The Senator from New York has the floor.

Mr. COPELAND. Mr. President, I take this occasion to remind the Senate that the coal strike is unsettled. I have had my share of listening to the debate on the publicity clause of the tax bill. That is a very important matter, but it is even more important to read in the public press that people up in Pennsylvania are now dying of starvation. I think we can well afford to take a few minutes of the time of the Senate to give some consideration to the subject of the coal strike.

I would like to inquire of the Senator from Nevada, the chairman of the Committee on Mines and Mining, the present status of his bill relating to the control of the coal business.

Mr. ODDIE. Mr. President, in answer to the inquiry of the Senator from New York, I will state that the status of the bill I introduced is the same as it was on Saturday, when I made a statement in connection with it.

Mr. COPELAND. That statement was, if I remember it, that the bill has gone to the Secretary of Commerce for his consideration.

Mr. ODDIE. That is the fact.

Mr. COPELAND. Mr. President, I have learned from an authoritative source that the reason why the Senator from Nevada has not heard from his bill is because the coal operators are so displeased with it that their quite quiet influence is sufficient to keep the bill in storage.

I want Senators to know that we are dealing with a very serious matter. I am not going to read into the RECORD the telegrams which I have received, but I want to call attention to the fact that I have here a long telegram from the president of the board of aldermen of Scranton City Council calling attention to the situation in the anthracite valley. Since an appeal to the Senate on the ground of humanity has not accomplished much, let me read this from this telegram:

> It has been estimated that 60 to 75 per cent of the merchants in the anthracite valley are in the shade of bankruptcy and their life savings gone in their efforts to feed and clothe the affected people again.

I notice in the press, controlled by the great business interests, that the resolution which I presented Saturday is referred to as simply a matter of politics. Is it a matter of politics for a man to stand up in the Senate and to plead with the Members of the Senate to take a step looking to the solution of this problem?

The President of the United States, in view of the treatment which he has had from the Senate in the past, is not going to take a chance of proceeding on his own account. He knows perfectly well that if he were to take a step that was followed by failure, and perhaps an increase in the price of coal, and an elevation in the wages of the miners, the Senate would be the very first to attack him. On the other hand, if the Senate should indicate a sympathetic interest in this problem, and should invite the President to call these strikers here, then if he failed the Senate could not find fault.

Why should not the President of the United States call the strikers to the White House? Why should he not do that? The President of the United States personifies the public sentiment and public opinion of this country. If the President of the United States can not arbitrate the strike, nobody can.

Mr. WATSON. Mr. President——

The VICE PRESIDENT. Does the Senator from New York yield to the Senator from Indiana?

Mr. COPELAND. With pleasure I yield to the Senator from Indiana, because if I can get him to help, this thing will be done. I yield to the Senator.

Mr. WATSON. I thank the Senator. What is the present status of the negotiations between the operators and the miners?

Mr. COPELAND. Just exactly what they have been for the past six months.

Mr. WATSON. It has been rumored about—and I am asking the Senator for information—that they had agreed substantially on all the terms, by which the miners should go back to work at the present wages and that working conditions would be made satisfactory until the 1st day of September, 1927, at which time a commission should be appointed, either by the President or by the Secretary of Labor, and that commission should be a commission of mediation, or negotiation, or arbitration, if you please; that the point of difference between them was as to whether or not the decisions of the board of arbitration should be compulsory or not compulsory; and that the point of difference upon which they finally split was as to whether or not the word "with" or the word "without" should be included in the agreement? Is or is not that so?

Mr. COPELAND. I would like to ask the Senator from Indiana if he has just heard that rumor? That is a rumor I have been hearing for the past three months.

Mr. WATSON. I have heard it for three months, but I hear it now with a considerable degree of authority. I want to know whether it is so or not.

Mr. COPELAND. I have heard the rumor, and I know perfectly well, as the Senator does, that on the part of the miners there is the greatest desire in the world to go back to work. Why should there not be? They are losing over $1,000,000 a day. There are some operators, too, who are independent operators, who naturally want to go to work. These men are not far apart, and I appeal to the Senator to join me in asking the President of the United States to bring those men here. If they are as near together as the Senator apparently thinks they are, the President could settle the matter in half an hour instead of two hours.

Mr. WATSON. Has the Senator ever suggested this matter to the President or consulted him about it?

Mr. COPELAND. I will say to the Senator from Indiana that last Friday three of my colleagues from New York, Members of the lower House, were refused audience by the President. He refused even to see them to talk about it.

Mr. WATSON. I am asking whether or not the Senator himself has ever suggested this matter to the President or sought audience with the President on this matter?

Mr. COPELAND. No; I have not.

Mr. WATSON. Let me ask the Senator another question. Suppose the President calls them together and they decline to agree. Then what? Then does the Senator propose compulsion of some sort?

Mr. COPELAND. I do not.

Mr. NEELY. Mr. President——

The VICE PRESIDENT. Does the Senator from New York yield to the Senator from West Virginia?

Mr. COPELAND. I yield to the Senator from West Virginia.

Mr. NEELY. Is the Senator from New York informed as to why the President refused to see this delegation of New York Members of the House?

Mr. COPELAND. I can not answer the Senator.

Mr. NEELY. If these Members of the House called on the President because of an alleged shortage of coal, of course, the President had the best excuse in the world for refusing to see them. West Virginia has an unlimited supply of coal now available at bargain-counter prices, which is better than any other coal ever used in New York City. We hope that the Senator from New York will see to it that his constituents, whom he so faithfully and ably serves, avail themselves of the present opportunity to become thoroughly familiar with the best coal in the world, which is the coal produced in West Virginia.

Mr. COPELAND. Mr. President, if the coal owners in West Virginia do not endow the Senator from that State and send him to the Senate for the rest of his life, it is because they do not appreciate what he has done to advertise the virtues of West Virginia coal. But, Mr. President, I have a suspicion, not that Senators, of course, would have this feeling, but that there are people living in West Virginia, Virginia, Ohio, Kentucky, Tennessee, and Pennsylvania who do not care whether the strike is ever settled or not, because they have soft coal to sell; because they have substitutes to sell.

A lot of people want to know why we do not use the substitutes in New York. My friend the Senator from Maryland [Mr. BRUCE] said I had not yet made clear to him why it is. Senators see the people in the pictures of the coal lines. They live in what we call cold-water flats, old ramshackle apartment houses that ought to have been dynamited half a century ago. They live in those places where the chimneys are built of rough brick with very small flues. They can not burn even the splendid coal from West Virginia in the stoves whose flues lead into those chimneys.

Mr. NEELY. Mr. President, will the Senator yield?

Mr. COPELAND. Just for a question, but not to listen to a further dissertation on the virtues of West Virginia coal.

Mr. NEELY. I hope if the Senator yields at all that he will yield without "reservations" and permit me to say that,

regardless of the construction or the size of the chimneys in New York, anybody capable of burning anything can burn West Virginia coal.

Mr. COPELAND. Mr. President, in my State I find Republican papers like the Jamestown Morning Post and other papers devoted to the cause of the Republican Party, like the Perry Record, are demanding just as strongly as I am that the President call the strikers to the White House. When I say "strikers" I mean the operators who are striking against the good of the country and the striking miners as well.

I want to impress upon the chairman of the Committee on Mines and Mining and, I hope, upon the country that the bill which seeks to give the President the authority which he asked for in his message and the authority which Senators on the other side of the Chamber say the President must have if he is to settle this problem is held up by a member of the President's Cabinet, and it is because of the failure of the Republican administration to take action that we are in the present plight.

Mr. President, I am not going to ask for a vote to-night, but I am going to bring the matter up very shortly and ask for a vote. I hope when that is done we may have enough humane sentiment in the action of the Senate so that there may be relief. There is no man who has given more thought to the needs of the poor than the Vice President of the United States, who occupies the chair now. He has built lodging houses where the poor are taken care of in his city, and any man who knows the conditions in the Northeastern States knows that the coal lines mean suffering and misery. Up in Pennsylvania, as indicated by the clipping which I sent to the desk, they mean death and starvation, because those people have no money with which to buy food.

Ah, Mr. President, I wish I had words to make clear to the Members of this body how necessary it is that action should be taken. I can hardly resist the temptation of asking that action be taken at this moment, but I am going to postpone the request hoping that the kindness of heart which individuals possess may finally lead the Senate by some degree of unanimity to take a step forward in the solution of the problem which has to do with the lives of the people of the United States.

Mr. EDWARDS. Mr. President, I thoroughly agree with the sentiments expressed by the Senator from New York [Mr. COPELAND]. I, too, am receiving many telegrams and letters, and some of them very unique. One which I have just received reads as follows:

> Are you going to leave babies and children freeze? No coal.

I take it that the Senator from New York is not concerned about the operators or about the local dealers. He is concerned in having the strike settled. He believes that if the President of the United States would call the representatives of the operators and the representatives of the strikers together, the matter could be settled and coal would come. The senior Senator from Arkansas [Mr. ROBINSON] introduced a very fine bill here yesterday that is good for June but not for to-day. We are looking for relief right now. I thoroughly believe it can be brought about. I would very much like to see the Senator from New York press his resolution right now to a vote and let us see who are really the friends of the children and who are not.

TAX REDUCTION

The Senate, as in Committee of the Whole, resumed the consideration of the bill (H. R. 1) to reduce and equalize taxation, to provide revenue, and for other purposes.

The VICE PRESIDENT. The question is upon agreeing to the amendment of the committee at the top of page 113.

Mr. BORAH. Mr. President, I suggest the absence of a quorum.

The VICE PRESIDENT. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Bayard	Edwards	Howell	Norris
Bingham	Ernst	Johnson	Nye
Blease	Fernald	Jones, Wash.	Oddie
Borah	Ferris	Kendrick	Overman
Bratton	Fess	Keyes	Pepper
Broussard	Fletcher	King	Pittman
Bruce	Frazier	La Follette	Ransdell
Butler	George	Lenroot	Reed, Mo.
Cameron	Gerry	McKellar	Reed, Pa.
Capper	Glass	McKinley	Robinson, Ind.
Copeland	Goff	McLean	Sackett
Couzens	Gooding	McMaster	Schall
Dale	Hale	McNary	Sheppard
Deneen	Harris	Means	Shipstead
Dill	Harrison	Metcalf	Shortridge
Edge	Heflin	Moses	Simmons
Smith	Swanson	Warren	Willis
Smoot	Trammell	Watson	
Stanfield	Wadsworth	Weller	
Stephens	Walsh	Williams	

The VICE PRESIDENT. Seventy-seven Senators having answered to their names, a quorum is present. The question is upon agreeing to the amendment of the committee, which will be stated.

The CHIEF CLERK. On page 113, line 1, after the word "records" strike out the words "but they," and insert in lieu thereof "but, except as hereinafter provided in this section and section 1203, they," so as to read:

> Returns upon which the tax has been determined by the commissioner shall constitute public records, but, except as hereinafter provided in this section and section 1203, they shall be open to inspection only upon order of the President and under rules and regulations prescribed by the Secretary and approved by the President.

The amendment was agreed to.

Mr. REED of Pennsylvania. Mr. President, I ask that the situation with reference to section 1100, on page 235, may be stated. I have the impression that the amendment of the committee was agreed to, but there seems to be some doubt about the provisions on page 236.

The VICE PRESIDENT. The amendment on page 235 was agreed to.

Mr. REED of Pennsylvania. Has the amendment on page 236, lines 5 and 6, been agreed to?

The VICE PRESIDENT. That amendment has not been agreed to. The clerk will state the amendment.

The CHIEF CLERK. The committee proposes, on page 236, Title VII, special taxes, capital-stock tax, in line 5, to strike out the words "this section," and insert in lieu thereof "section 700 of the revenue act of 1924," so that the paragraph will read:

> In any proceeding in court in respect of any tax imposed by section 700 of the revenue act of 1924 or by any prior capital-stock tax law.

The amendment was agreed to.

Mr. REED of Pennsylvania. I ask that the Senate now turn to section 1109 on page 291. I have the impression that when that section was reached the committee amendment was read but was not agreed to. Does the RECORD show that it was agreed to?

The VICE PRESIDENT. The RECORD shows that all amendments on pages 291, 292, 293, and 294 have been agreed to.

Mr. REED of Pennsylvania. Very well. I then send to the desk an amendment which I offer.

Mr. MOSES. Mr. President, a parliamentary inquiry: Are we still in the stage of committee amendments?

The VICE PRESIDENT. We are. The Clerk will state the amendment offered by the Senator from Pennsylvania.

The CHIEF CLERK. On page 165, line 10, strike out the period, insert a semicolon and the word "and," and after line 10 insert a new paragraph to read as follows:

> (3) As to any amount collected after the statutory period of limitations upon the beginning of distraint or a proceeding in court for collection has expired, but in any such claim for credit or refund or in any such suit for refund the decision of the board which has become final as to whether such period had expired before notice of deficiency was mailed shall be conclusive.

Mr. REED of Pennsylvania. Mr. President, this is a purely formal amendment and the purpose of it may be explained as follows: The provisions of this subdivision as reported by the Committee on Finance prohibit all suits for refund if the taxpayer has petitioned to the board. Paragraph (2) of this subdivision takes care of the case where the collector assesses more tax than is permitted by the final decision of the board. The same paragraph also takes care of the situation where the board has ruled that the statute of limitations has expired before the notice of deficiency was mailed, for in such cases under the provisions of section 906 of the revenue act of 1924 as amended by this act, the decision of the board that the statute has run is equivalent to its decision that there is no deficiency, and hence, any amount at all collected would be the collection of an amount in excess of the deficiency determined by the board. But the bill as reported to the Senate by the committee does not take care of the situation, where if the decision of the board has become final the commissioner fails to assess and collect the tax within the statutory period of limitation. In such a case the taxpayer would obviously have suit for refund inasmuch as section 3224 of the Revised Statutes prevents him from enjoining the assessment or collection. It is a technical amendment which I think everybody admits is correct.

Mr. REED of Missouri. Mr. President, has the Senator from Pennsylvania concluded his remarks on this matter? If so, I wish to ask him a question.

The VICE PRESIDENT. In this connection the Chair will suggest that in order for this amendment to be offered it will be necessary to reconsider the vote by which the amendment to which it is proposed was agreed to. Then the amendment to the amendment may be offered.

Mr. REED of Pennsylvania. I ask that the vote by which the committee amendment was agreed to may be reconsidered.

The VICE PRESIDENT. Without objection, the vote by which the committee amendment was agreed to will be reconsidered.

Mr. REED of Missouri. Mr. President, I wish to ask the Senator from Pennsylvania a question. As he knows, I have been necessarily absent for some days and I may be asking a question that has been threshed over; but does the amendment which has been reported propose that if the taxpayer appeals to the board he thereby cuts off his right to appeal to the court?

Mr. REED of Pennsylvania. Mr. President, in substance the provisions are these: The taxpayer has the alternative either to appeal to the board without paying the tax, in which case he goes on through the routine provided by the act to the board then to the Circuit Court of Appeals, and then to the Supreme Court, if necessary, or he has the alternative of doing, as he can now do, of paying his tax and bringing his suit in the district court to recover it. We have preserved that right.

As the Senate Finance Committee amendments were originally written they did not preserve the right to bring suit in the district court, but we thought it only proper that the right should be preserved, and during the absence of the Senator from Missouri a series of amendments was adopted which preserved that right to the taxpayer.

Mr. REED of Missouri. That is to say, under the proposed law as it is now written the taxpayer can refuse to pay his tax and appeal to the board, but if he wants to appeal to the court he must first pay his tax and then sue to get it back?

Mr. REED of Pennsylvania. That is the way the law is now.

Mr. REED of Missouri. Yes.

Mr. REED of Pennsylvania. And we have kept that. The House struck that out. The House limited the taxpayer to an appeal to the board, but we do not think that was fair. We wanted to preserve the present right to pay the tax to bring suit by a jury trial in the district court.

Mr. REED of Missouri. Does not the Senator think that a man ought to be allowed to enjoy the right to contest it in the court without first paying the tax?

Mr. REED of Pennsylvania. No, Mr. President; we did not think so. As a matter of fact, if that were done it would be used as a stay of execution by a great many taxpayers. Of course, the Senator must understand that there is always the right to file a bond; there is a system of jeopardy assessments provided. The commissioner may levy the assessment promptly, and in every such case the taxpayer has a right to file a bond to protect the Government, and then go on to his suit in court before a jury. So long as he protects the Government he may do that.

Mr. REED of Missouri. Do I understand that if the commissioner raises the assessment the taxpayer can appeal to the board without paying his tax, and if the board decides against him he can then appeal to the court?

Mr. REED of Pennsylvania. Yes; on the filing of a supersedeas bond.

Mr. REED of Missouri. He must give a supersedeas bond?

Mr. REED of Pennsylvania. That is right.

Mr. REED of Missouri. What I want to get away from—and I offered an amendment at the last session to cover it—is this process of levying an additional assessment, forcing the taxpayer to pay that assessment, and then get it back if he can.

Mr. REED of Pennsylvania. I think that is pretty well taken care of in the bill as the Finance Committee has drawn it. The taxpayer can contest that claim right through to the court of last resort, and in no case is it necessary for him to pay, although he must file an appeal bond if he goes up from the Board of Tax Appeals.

Mr. REED of Missouri. Suppose he is unable to file it?

Mr. FLETCHER. Then he is in bad luck.

Mr. REED of Missouri. Yes, he is in bad luck; and it is the bad-luck man that I am talking about. I have known of several instances of absolute bankruptcy being forced on individuals and concerns who never had a day in court and never had a chance to have a day in court to appeal from tax assessments that were unjust from every angle and from every consideration.

I have not any confidence in any taxpayer getting justice before one of these boards in the department. He may get justice; but he may not. I do not want to see this law so framed that a taxpayer who wishes to take that course can not appeal to a court unless he gives a bond. No citizen's right to his day in court ought ever to depend upon his ability to give a bond.

I grant that if the Government makes an assessment—and some of the assessments have been very arbitrary, very oppressive, very outrageous—and the Board of Appeals rules against the taxpayer, it is possible that the Government ought not to be restrained from collecting its tax during appeal unless a bond is furnished; but a taxpayer ought to be allowed to proceed with his appeal in that case, not, however, enjoying the right of supersedeas, just as the citizen is allowed his appeal in a civil case where he is unable to give bond.

Mr. REED of Pennsylvania. The Senator has expressed it better than I did. The taxpayer has that right. This is the first time, Mr. President, since these tax laws began that we have given the right to a judicial trial without either the payment of the tax or the filing of a bond—that is before the Board of Tax Appeals. Now, assuming they decide against the taxpayer, then he has three alternatives. He can either pay the tax and continue his appeal or he may file the bond and continue his appeal——

Mr. REED of Missouri. And the bond supersedes——

Mr. REED of Pennsylvania. The bond supersedes the action of the collector, supersedes the judgment.

Mr. REED of Missouri. Yes.

Mr. REED of Pennsylvania. Or he may do neither and continue his appeal. Then, of course, the collector's remedy of distraint and collection remains as before.

Mr. REED of Missouri. The Senator informs me that that is the present situation under this bill?

Mr. REED of Pennsylvania. That is the way the bill now stands; it never has been the law heretofore.

Mr. REED of Missouri. It is reasonably satisfactory in that shape.

Mr. REED of Pennsylvania. It seems to us to be fair.

The VICE PRESIDENT. Without objection, the amendment to the amendment is agreed to.

Mr. GLASS. Mr. President, the Senator from Pennsylvania says this is the first time the taxpayer has had available judicial process. I am wondering whether it may be described as judicial process. I am wondering whether or not we should permit attachés of the Internal Revenue Department or former attachés of the Internal Revenue Department to serve on the Board of Tax Appeals.

Mr. REED of Pennsylvania. We have complete control of that, Mr. President, because the nominations are all subject to confirmation by the Senate.

Mr. GLASS. Yes; that I know; but we have a tax board that, in my view, is literally saturated with bureau ideas. It is a tax board pretty much like the bureau itself, which thinks that it is established not to see that the taxpayer gets justice, but to see, primarily and first of all, that the Government gets every dollar that it may think is due the Government; and that notion it has above every other notion. Above any consideration of a judicial consideration, it has the idea that the Government must, first of all, be sure to get everything it can; not everything it should, but everything it can.

Mr. REED of Pennsylvania. I think that was true of the old tax board, and that is what we are trying to correct in this bill by lengthening the term and giving more complete independence on the part of the members of the tax board.

Mr. GLASS. But if a man imbued with that notion should get on the board, the longer his term the more I object to him.

Mr. REED of Pennsylvania. Then, we ought not to confirm him.

Mr. GLASS. If we preclude by statute membership on that board to anybody who has had an association of that kind and has become impregnated with that sort of spirit, then we would be more certain of getting the right kind of a board.

Mr. FLETCHER and Mr. KING addressed the Chair.

Mr. REED of Pennsylvania. I yield first to the Senator from Florida.

Mr. FLETCHER. I wish to suggest that, having seen some opinions rendered by the Board of Tax Appeals, I think the most important right that is preserved here—and, as I understand the Senator, it is preserved; that has been my understanding of the bill—is the right to go into the district court by the taxpayer upon the payment of the tax. I do not think that we ought to allow him to do that unless he does pay the tax; but when he pays the tax his right to go into the district court is preserved. To me that is the important right that he has, and it is worth a great deal more to him, in my judgment, than is the right to appeal to the Board of Tax Appeals.

Mr. REED of Pennsylvania. If the Senator will examine the amendments which we wrote to the original section, he will see that we have been scrupulous to preserve that right. The taxpayer did not have it under the House bill.

Mr. KING. Mr. President, I think the provisions to which the Senator has referred—and I was one of the subcommittee which considered them—are exceedingly liberal; indeed, I have been inclined to think they are in some respects rather too liberal. But I wish to say to the Senator from Virginia that I have an amendment attacking some provisions of the sections dealing with the Board of Tax Appeals. I agree with the Senator. I think this board is saturated with bureaucracy. Nearly all of the members were taken from the bureau. They were the ones who were performing the duty of passing upon these controverted questions. Four or five of them were brought back into the bureau after they had separated themselves from the bureau. The contention is that the salary paid is too small; and yet four or five of these men who had been with the bureau for some time and then went out to practice law, apparently were very glad to get back into the bureau.

I have here an amendment which attacks the tenure of office of the members of this board. The House had a provision giving these men positions for life. I am very glad to say that the Senate committee did not accede to the view of the House, and in that respect greatly improved the bill as it came from the House. I think the amendment which I have offered, and to which I shall call attention later, will be another improvement to the bill as it came from the House.

Mr. REED of Missouri. Mr. President, I desire to ask the Senator from Pennsylvania another question. I am asking these questions about matters which I ought to know myself; but as the Senator knows, I have had no opportunity yet to examine this bill.

In case an appeal is prosecuted from the Board of Tax Appeals to a district court——

Mr. REED of Pennsylvania. Pardon the interruption, but the appeal lies directly from the Board of Tax Appeals to the circuit court of appeals or the Court of Appeals of the District of Columbia.

Mr. REED of Missouri. Very well. When that case goes to the court of appeals, it goes solely upon the record that was previously made. Is that right?

Mr. REED of Pennsylvania. It goes on the record made in the Board of Tax Appeals; yes.

Mr. REED of Missouri. And in the Board of Tax Appeals is it not true that they consider affidavits and letters and hearsay evidence of every sort—evidence that does not come within the ordinary rules of evidence?

Mr. REED of Pennsylvania. I do not know what the practice has been in the past; but we have taken care that it shall not be so in the future, because we have provided in the bill that the rules of evidence in the Board of Tax Appeals shall be the same as those prevailing in the courts of equity in the District of Columbia; and if they should receive any such hearsay statements as the Senator has described, of course, that would be reversible error.

Mr. REED of Missouri. The reason why I ask the question is that my understanding is that the courts have sustained actions of boards based upon just the kind of evidence I described a moment ago.

Mr. REED of Pennsylvania. That is what we are trying to get away from now.

Mr. REED of Missouri. And I am glad to know that that has been avoided.

Mr. GEORGE. Mr. President, if the Senator will pardon me, I may suggest that every reasonable effort has been made to bring this board out of the class of a mere administrative body into the status of a court; and I think the rules of evidence to which the Senator refers have been amply cared for in this provision.

Mr. REED of Missouri. I am very glad to know that. Now just one further question:

Why is it that a taxpayer can not be given his day in court by direct action, without first requiring him to pay the tax that is assessed? I know I shall be met with the statement that it would mean interminable delay to the Government; but it frequently happens that the tax that is assessed is ruinous, and that the taxpayer can not raise the money. It always happens that it is a hardship if the tax is wrongfully laid. Why should not a taxpayer be allowed to litigate in good faith these additional assessments; and why can not the Government be protected against an abuse of the courts for purposes of delay by giving to the court the right to assess the costs and penalties if the suit is not brought in good faith and upon a meritorious cause?

Mr. REED of Pennsylvania. In substance, that is what we have done by giving the taxpayer the right to appeal to the Board of Tax Appeals without the payment of tax and without giving bond, but we did not think it right to give him the righ to file a similar appeal in any district court anywhere without either giving bond or paying tax. That is too liberal to the taxpayer.

Mr. REED of Missouri. No, Mr. President; here is the trouble, if the Senator will pardon me: I am simply trying to get at this on its merits. There is no spirit of controversy about it. The trouble is when you give an appeal to a Board of Tax Appeals it sits here in Washington, does it not?

Mr. REED of Pennsylvania. No.

Mr. SMOOT. It travels around the country.

Mr. REED of Pennsylvania. There are 16 members, and they sit in divisions. They sit all over the United States. It is really a more convenient court than the district court of the United States. It is an expert court. It is more up to date. It is more convenient to the taxpayer. Take the Senator's own circuit, which is a couple of thousand miles long: It is a whole lot harder for the taxpayers in many parts of that circuit to get to the nearest district court than it is for them to get to the nearest division of this Board of Tax Appeals.

Mr. REED of Missouri. No; the Senator is mistaken about that.

Mr. SMOOT. They held court one month at St. Louis and one month at Kansas City this year.

Mr. REED of Missouri. The Senator is speaking about the court of appeals?

Mr. SMOOT. No; I am speaking of our Board of Tax Appeals.

Mr. REED of Missouri. I am speaking about the district courts of the United States.

Mr. REED of Pennsylvania. Will not the Senator consider for a minute the predicament of the taxpayer in New York City, where the district court is literally choked with prohibition cases?

Mr. REED of Missouri. I consider that, yes, as one of the nuisances that attach to prohibition; but the answer to that ought to be that we should either create more courts or we should take away from the courts these police duties that are now forced upon them. The fact that somebody wants to have a man prosecuted for keeping a gill of whisky in the cupboard in his house is no reason why a taxpayer should be denied his day in court, where he may be assessed $100,000 by the arbitrary action of a wholly uninformed special agent sent out by the Government.

Mr. REED of Pennsylvania. The Senator's argument is unanswerable in logic, but it is pretty poor satisfaction to the taxpayer who wants action and can not get it.

Mr. REED of Missouri. Oh, no; let us see if the shoe is not on the other foot. I live in Kansas City, let me say. Some agent comes down from Washington and says that I owe $50,000 of taxes, which I do not owe. I say: "I will not pay it. Go into the district court over here and file your suit." Or I could be given the right to go into the district court and have the assessment enjoined. If I do not get a trial on that right away, I am not suffering tremendously. Besides, we can easily pass a law that those cases should be expedited. Now, if I file that case or make a defense in that case in bad faith the court could be authorized to assess not only the ordinary costs but attorneys' fees or penalties upon me. That will deter people from making false defenses; and these things are done, not once in a while but habitually.

A man comes down without any evidence that is worthy of consideration and raises some taxpayer's tax. I have in mind now a case that came to my attention only to-day. A lawyer collected a fee of about $10,000, which represented practically a year's work. He turned it in in his tax return as fees received. One of these bright young gentlemen from Washington landed in that town and without coming to ask him a word, having found out that a certain corporation in another State had paid him $10,000, proceeded to assess him $10,000, and said that was not returned, although it was the very item he had returned as fees. Now, of course, that lawyer will take care of himself. He is not an object of sympathy; but things of that kind are happening every day where these men, without any evidence that is worthy of the name, are going out and piling on immense assessments.

When you propose that a man shall go to the Board of Tax Appeals it is a good deal like going to be tried on a question of offense against the Mohammedan religion before a Turkish court; and you can go and try it hundreds of miles, perhaps, from your home. You can hire a lawyer to do it. If you are in your own home or in your own judicial district, it is not nearly so difficult; and my experience has been that the only

place in the world where you can get a controversy settled and settled right is in a court of justice. They make mistakes, but they try not to; and you have rules of law and evidence that protect you, and you have a right of appeal that protects you.

I think every citizen ought to have the right to refuse to pay his tax and to go into court and test the matter, provided always that there should be sufficient penalties attached to deter a man from bringing a wrongful suit—I do not mean a mere mistake; but even there the costs are sufficient—and I think that until we do that we are going to have this constantly increasing arbitrary action by the agents of the Treasury Department.

I do not say that to attack these men harshly. Many of them are men who are just overzealous; many of them are men who are lacking in experience; many of them are impelled by an ambition to make a great showing.

In my own personal experience I have had two clients who were absolutely ruined by assessments that were unjust and that could not have stood up in a court of justice. Of course, I could not represent them before boards and commissions down here. They were assessed without rhyme or reason, and in some way or other the day passed when they had any chance to protect themselves; and it was no protection to them to say, "Pay your taxes and then go into court," because they did not have the money to pay the taxes and could not raise the money to pay the taxes and be out of the money two or three years.

I do think that we ought to open the door of the courts wide, so that the citizens of the country can protect themselves against unjust taxation. I do not want to delay this bill a minute. I presume the right of amendment is open, and will be open until the final passage of the bill in the Senate; but I want to give notice that I am going to ask at the proper time for the consideration of an amendment such as I have referred to.

Mr. REED of Pennsylvania. I suggest that the Senator will have ample opportunity to study the bill and to renew these objections and offer any amendments when the bill is in the Senate.

Mr. McKELLAR. Mr. President, I indorse very heartily all the Senator from Missouri has said about the use of the district courts, and several days ago I offered an amendment, which I desire to read at this time for the benefit of the Senator from Missouri and of other Senators, on that subject. My idea was to make this amendment apply solely to the future and leave the machinery of the Board of Tax Appeals as it is. This amendment is to be offered on page 274, and is as follows:

DISTRICT COURTS

Exclusive jurisdiction is hereby conferred upon the district courts of the United States to hear and determine, according to the rules of equity, as in other cases where the sum involved exceeds $10,000, first, all claims of taxpayers hereafter arising for refunds; second, all claims of taxpayers hereafter arising for depletions and abatements; third, all claims for additional taxes claimed by the Government against any taxpayer, whatever the nature of the claim, when the amount is in excess of $3,000.

No action shall be maintained under this section unless brought within the statute of limitations two years from the date of payment of the tax; or if brought by the Government, two years from the date the tax became due: *Provided*, That in all cases of constructive fraud the action may be brought at any time within six years. Service of process upon the district attorney of the district in which the taxpayer resides, or his assistant, shall be binding upon the United States, and the district attorney shall defend all tax suits brought under this paragraph. All suits brought on behalf of the Government under this paragraph shall be brought by the district attorney of the district in which the taxpayer resides. The records of the Internal Revenue Bureau respecting such claims of taxes shall be sent to the district attorney in the event of a suit brought under this section and shall be available to the inspection of the taxpayer or his attorney. Appeals from the decision of the district judge are to be granted in accordance with the rules of practice in other equity cases arising in such courts.

The words "hereafter arising" are used in this amendment. If the Senator will indulge me a moment, I would like to say that the impelling motive with me in offering the amendment was this: Under the present system, a taxpayer is put to a world of trouble when a reassessment is made against him, and that is the usual case. For instance, if he lives in my State, a thousand miles away from Washington, he has to come to Washington himself and employ an attorney here, or employ an attorney at home and send him to Washington, at great trouble and expense. It is oftentimes not only many months, but sometimes years, before he gets action by the unit in the revenue office. Then he may take his case to the Board of Tax Appeals, and if he does not get what he wants up there, he has to employ probably another attorney, because the kind of an attorney who would go before the Board of Tax Appeals is not the kind of attorney who would file the proceedings in the circuit court of appeals, or in the Court of Appeals for the District of Columbia, in all probability, if he undertakes to carry the case up.

It seems to me, as the Senator from Missouri so well argued a few moments ago, that this is an imposition upon the taxpayer which ought not to be allowed. It seems to me our district courts ought to be open for the benefit of the taxpayers. That matter ought to be settled in favor of the taxpayer. The taxpayer has some rights which Congress ought to guarantee.

The VICE PRESIDENT. The question is on agreeing to the amendment to the amendment.

The amendment to the amendment was agreed to.

The amendment as amended was agreed to.

Mr. REED of Pennsylvania. I send to the desk and ask to have read the following amendment.

Mr. McKELLAR. A parlimentary inquiry. We are still on committee amendments, and this is a committee amendment?

Mr. REED of Pennsylvania. These are offered as committee amendments.

The VICE PRESIDENT. The clerk will read the amendment.

The CHIEF CLERK. On page 289, after line 18, insert:

SEC. 1106 (a). The bar of the statute of limitations against the United States and against the taxpayer in respect of any internal revenue tax shall not only operate to bar the remedy but shall extinguish the liability.

Mr. REED of Pennsylvania. Mr. President, just a word in explanation of this amendment. The necessity for it arises from a very peculiar case. In a recent decision in the Court of Claims it has been held, in substance, that after the statute of limitations has run against the collection of a tax, the collector may nevertheless issue his distraint and collect the tax by a distraint, and then if the taxpayer brings suit against the United States to recover it back, he, being the plaintiff, can not plead the statute of limitations, although the United States would have been barred from a suit for the tax because the statute had run. It is a preposterous result, it seems to me, and a very great hardship to the taxpayer, to allow such a condition to continue, and while I feel reasonably confident, with all respect to the Court of Claims, that that case will be reversed on appeal, I do not think we ought to allow even a possibility that it will not remain, and we ought to correct it now.

Mr. REED of Missouri. I think the Senator is undoubtedly right about that; but what has the Senator to say about taking away this right of distraint?

Mr. REED of Pennsylvania. Oh, no; we can not do that. That is a right which almost every tax collector has. We have to keep that right.

Mr. REED of Missouri. We do not have it in my State until the taxpayer has his day in court, and it is not to be found in any white man's State.

Mr. REED of Pennsylvania. The distraint can not be levied under this bill until the taxpayer has had a chance for appeal, has had a chance for a redetermination of his tax, which he ought to have.

Mr. REED of Missouri. Then the law must have been changed very radically.

Mr. REED of Pennsylvania. It has been changed.

Mr. REED of Missouri. I am glad it has been. Let me ask one further question, and then I will not have to interrupt the Senator again in his labors. The return is made by the taxpayer, and somebody connected with the Government comes down and raises the amount. The taxpayer refuses to pay and appeals to the Board of Tax Appeals. That board's habitat, when it is home, is in Washington. Where is the record made up?

Mr. REED of Pennsylvania. The record will be filed, I suppose, in Washington. In fact, I am quite sure it will be.

Mr. REED of Missouri. How is the case tried? How is the evidence taken, and where is the evidence taken?

Mr. REED of Pennsylvania. The evidence is taken at any place where the division of the board may sit.

Mr. REED of Missouri. Does the Board of Tax Appeals sit to hear the evidence itself, or does it sit to pass on evidence that has already been collected?

Mr. REED of Pennsylvania. A member of the board himself is the examiner, and takes the evidence.

Mr. REED of Missouri. A single member?

Mr. REED of Pennsylvania. One or more members may constitute a division, and their decision, of course, is always subject to review by the full board.

Mr. REED of Missouri. Let me see, now. I return my taxes in Kansas City. Somebody whom I never saw before, without speaking to me at all or telling me anything about what he is going to do, suddenly notifies me that he has doubled my tax assessment. I get this notice. What is the next step?

Mr. REED of Pennsylvania. The next step is to go before the division of the Board of Tax Appeals, one or more members, present the case, try it out, argue it, and then you are notified of the decision.

Mr. REED of Missouri. How do I get to this one member; do I wait for him to come to Kansas City?

Mr. REED of Pennsylvania. Yes. He was in Kansas City last November and heard over a hundred cases there.

Mr. REED of Missouri. That is, one man?

Mr. REED of Pennsylvania I do not remember whether it was one or two.

Mr. REED of Missouri. Well, one or two. He hears the evidence, just as a court does?

Mr. REED of Pennsylvania. Yes; exactly like a court. He is bound by the same rules of evidence that govern a court, under this bill. Under the old act he has not been.

Mr. REED of Missouri. Suppose he does not come to Kansas City; what will I do?

Mr. REED of Pennsylvania. Then you do not have to pay any tax until he does come.

Mr. REED of Missouri. Is he obliged to come there at given terms?

Mr. REED of Pennsylvania. He is obliged to do as the circuit court does, to get around with reasonable frequency.

Mr. REED of Missouri. Are there any terms fixed?

Mr. REED of Pennsylvania. There are no terms fixed by the bill, but the board itself is given power to establish rules to control such matters. If there is any delay, you do not pay your tax, that is all. It is an ideal situation for the taxpayer.

Mr. REED of Missouri. I am not so sure. How do I stop the proceedings for distraint?

Mr. REED of Pennsylvania. There can not be any proceedings for distraint if you have taken your appeal in time.

Mr. REED of Missouri. Where do I lodge my appeal? In Washington?

Mr. REED of Pennsylvania. In Washington. It can be done informally, by telegram or by letter.

Mr. REED of Missouri. Then I wait, and when this individual, or these individuals, come into my district, I appear before them. How are the districts defined—by tax districts of some kind?

Mr. REED of Pennsylvania. There is no sharp definition. The members of the board go where the business requires them to go.

Mr. REED of Missouri. What notice do they give of their appearance there?

Mr. REED of Pennsylvania. That is fixed by a rule of the board. I do not know what it is.

Mr. REED of Missouri. And you do not know what it will be?

Mr. REED of Pennsylvania. I have no idea.

Mr. REED of Missouri. Then these gentlemen sit down and hear the case, the evidence is produced, and a record is made and preserved?

Mr. REED of Pennsylvania. Precisely.

Mr. REED of Missouri. Then when you come finally to have the case heard on appeal where do you go?

Mr. REED of Pennsylvania. It is tried on that record, either in the Court of Appeals for the District of Columbia or in the circuit court of appeals of the taxpayer's home circuit.

Mr. REED of Missouri. Either one?

Mr. REED of Pennsylvania. Either one, at the taxpayer's option. He may go to either one he prefers.

Mr. REED of Missouri. The taxpayer makes the choice?

Mr. REED of Pennsylvania. I was in error about that, I am advised. He can come to the District of Columbia only by agreement with the Commissioner of Internal Revenue. But he has a right to go to the circuit court of appeals of his home circuit.

Mr. REED of Missouri. Then, as a matter of fact, while there is a Board of Tax Appeals of 16 members, the taxpayer has his hearing before one or two of them who come out to his district?

Mr. REED of Pennsylvania. Precisely.

Mr. REED of Missouri. And if he is not pleased with that, then he can appeal to the circuit court of appeals of his circuit?

Mr. REED of Pennsylvania. In the meanwhile he can apply to the chairman of the board for a rehearing before the full board. That is provided, as the Senator will see, on page 268:

In case of a decision by a division—

That means one or more members—

the decision and the findings of fact—

Which they must make—

in connection therewith shall become the decision and the findings of the board after 30 days * * * unless within such period the chairman has directed that such decision shall be reviewed by the board.

So there is a chance for a reargument before the court in banc, so to speak, after the division has acted.

Mr. REED of Missouri. But the taxpayer can get that only when he can get the chairman of the board to bring the case up here, and when he does he has to come to Washington to argue it?

Mr. REED of Pennsylvania. He can make his application by mail, of course, but he has to come here to get before the full bench.

Mr. REED of Missouri. I think I understand it, but I want to be sure. A citizen's taxes are raised. He files his protest against the amount in the city of Washington with the Board of Tax Appeals. Thereafter one or two members of that board may go to his district where he has a hearing, and their judgment is final unless he can come or send to Washington and induce the chairman of the board to order the case sent to the full board, in which event he must come to Washington to present his case or employ attorneys to do that for him; or if he does not appeal to the general Board of Tax Appeals he can appeal from the decision of the district tax commission, or, having let it become final without such appeal, to the Circuit Court of Appeals of the United States for his district. In order for him to get a decision that is favorable to himself he must at least journey to the circuit court of appeals of his circuit or he must journey to the city of Washington.

Mr. REED of Pennsylvania. Provided the decision of the board goes against him.

Mr. REED of Missouri. Oh, certainly. If it goes in his favor of course he has no complaint. A taxpayer whose taxes are raised only $500 or $600 would a good deal better pay the tax than to subject himself to that kind of hardship and expense.

Mr. REED of Pennsylvania. That is what I have done, and I suppose the Senator has done the same thing.

Mr. REED of Missouri. Exactly. That is what thousands of people are doing. There has been provided no machinery by which they can get a speedy hearing before any tribunal except this tribunal that is composed of one or two men who are sent out from the tax commission.

Mr. REED of Pennsylvania. Yes. If it is only 5 cents, the taxpayer can pay it and bring suit in the district court to get it back where he can get a jury trial before his own neighbors.

Mr. REED of Missouri. That is, after he has paid it.

Mr. REED of Pennsylvania. But if it is a small amount he does not mind it.

Mr. REED of Missouri. But suppose it is a larger amount?

Mr. REED of Pennsylvania. Then it is worth while to take a trip.

Mr. REED of Missouri. I do not think so. I do not think it is worth while ever to make it so that a citizen of the United States has to journey across the continent to get a hearing before a court or before any tribunal on earth except the Supreme Court of the United States, and necessarily some cases have to go to that tribunal.

I know the Senator's purpose in this matter has been a very fair one, because I have heard him talk in the committee and I think there has been some improvement made in the measure. But I can illustrate, in a case that came directly to my attention, the hardships involved in the circumlocution we have set up. There was a corporation, an estate that had been incorporated. It had no net income. It was in fact hovering on the verge of bankruptcy, not because it did not have some assets but because they were encumbered and the encumbrance coming due. A gentleman landed in town one day and when he went out he had assessed them $5,000 tax. They had just about that amount of money gathered up to pay the interest on a deed of trust. They had to take the money to pay the tax and sue to get it back, and in the meantime the gentleman who held the trust is foreclosing on the property.

If that were a single instance, it would not be so bad. I think the bill needs just one more amendment in this particular, and that is a provision that any citizen can go into court with-

out paying any tax and resist the payment. In the meantime I agree that the Government for its own protection ought to be allowed, perhaps, in such a case as that to issue a distraint. But the idea that a man must first pay his money and then sue to get it back is anomaly in the law. It is not applied between individuals, and I hope the Senator can bring himself to my way of thinking, so that when an amendment is offered which I shall offer it can have the support of the committee.

The VICE PRESIDENT. The question is on agreeing to the amendment of the committee.

The amendment was agreed to.

The CHIEF CLERK. The next amendment is on page 289, line 19, to strike out "section 1106" and insert "(b)."

The VICE PRESIDENT. Without objection the amendment is agreed to.

Mr. REED of Pennsylvania. I have one more amendment to offer. The amendment was offered for consideration last Saturday, but was not acted upon. I ask that it be reported now and that we may act upon it at this time.

The VICE PRESIDENT. The amendment will be stated.

The CHIEF CLERK. On page 334, after line 10 or the amendment heretofore agreed to, insert a subhead "Amortization deductions," and the following new section:

SEC. —. The deduction provided by paragraph (9) of subdivision (a) of section 214 or by paragraph (8) of subdivision (a) of section 234 of the revenue act of 1918, may (notwithstanding any provisions of the revenue act of 1921) be allowed for the taxable year 1918, 1919, or 1920, if claim therefor was made before March 3, 1924.

Mr. REED of Pennsylvania. Mr. President, this amendment was discussed at length on Saturday last. It is extremely technical. It has been submitted to a subcommittee consisting of the junior Senator from Utah [Mr. KING] and myself. It has been submitted to the Senator from Michigan [Mr. COUZENS], and by him to Mr. Manson, the counsel for the Couzens committee. It is entirely satisfactory to all those gentlemen and to the Bureau of Internal Revenue as well. A brief explanation of it is as follows:

Sections 214 (a) (9) and 234 (a) (8) of the revenue act of 1918 allowed the deduction from gross income of a reasonable allowance for amortization. Sections 214 (a) (9) and 234 (a) (8) of the revenue act of 1921 granted as a deduction from gross income the same allowance for amortization, but provided that such deduction should be allowed—

for any taxable year ending before March 3, 1924 (if claim therefor was made at the time of filing return for the taxable year 1918, 1919, 1920, and 1921).

This provision in the 1921 act has been held by the Board of Tax Appeals in the case of the Stauffer Chemical Co. (2 B. T. A. 841) as barring an allowance for amortization for 1918, 1919, or 1920 unless it was claimed on the original return. This decision is not in accordance with the intention of Congress in passing the 1918 or 1921 acts. The committee, therefore, offers the pending amendment to provide that notwithstanding the provisions of the 1921 act the amortization deduction for 1918, 1919, and 1920 shall be allowed if claim is made before March 3, 1924, which was the limit placed by the 1918 act itself upon the making of such claims.

The VICE PRESIDENT. Without objection the amendment is agreed to.

Mr. REED of Pennsylvania. Mr. President, I ask unanimous consent that when the Senate concludes its business to-day it shall take recess until 11 o'clock to-morrow morning.

The VICE PRESIDENT. Is there objection? The Chair hears none and it is so ordered.

Mr. COPELAND. Mr. President, I hope the Senator from Utah does not intend to stop soon. I do not see any reason why we should. The agreement was that we were to stay in session until 10 o'clock.

Mr. REED of Pennsylvania. We have not requested any cessation of activities now.

Mr. COPELAND. I think we should take up some of the minor amendments and get them out of the way.

Mr. SMOOT. If we proceed any further this evening I would like to take up Title 9, Board of Tax Appeals. I ask my colleague and the Senator from Mississippi [Mr. HARRISON] if they have any objection to taking that up?

Mr. HARRISON. I think it will be all right.

Mr. KING. I am not quite ready, I will say to my colleague. I did not think that amendment would be reached this evening.

Mr. SMOOT. My colleague asked that paragraph (b) go over. That is with reference to the term of office of all members who are to compose the board prior to June 30, 1926.

Mr. KING. Yes; I am familiar with the amendment.

Mr. SMITH. May I ask the chairman of the committee what change, if any, has been made in the munitions tax? Has there been any change?

Mr. SMOOT. There is no munitions tax in the bill.

Mr. SMITH. The 10 per cent tax on loaded shells has been left out?

Mr. SMOOT. It is not in the bill at all.

Mr. SMITH. I have had many inquiries about it.

Mr. SMOOT. It may be that the Senator refers to revolvers. We have a tax on revolvers.

Mr. SMITH. No; I am talking about loaded shells.

Mr. SMOOT. That is all out. There is nothing in the bill now about it.

There are a number of Senators who have asked that we take up the alcohol tax. I shall know to-morrow morning whether it is possible to disagree to the Senate committee amendment and allow the House provision on alcohol to stand.

Mr. SMITH. What was the reduction on the part of the House?

Mr. SMOOT. The House reduces it finally to the amount of $1.10. The tax to-day is $2.20. There is a graduated tax provided until it gets to $1.10, which was the point at which it stood before the war.

Mr. SMITH. Is that based upon the purity of the alcohol?

Mr. SMOOT. That is 96 proof alcohol.

Mr. HARRISON. I hope the Senator will let that matter go over until to-morrow and that he will come to the conclusion that we can accept the House provision.

Mr. MCKELLAR. Does the Senator think we can do it?

Mr. SMOOT. My impression is that we can.

Mr. MCKELLAR. I am very glad to hear it.

Mr. SMOOT. But I really do not know.

Mr. SMITH. The Senator thinks he can reach an agreement as to the reduction?

Mr. SMOOT. I can not say offhand to-night, but I will know to-morrow.

ALUMINUM CO. OF AMERICA

The VICE PRESIDENT laid before the Senate the following communication from the acting chairman of the Federal Trade Commission, which was read, and, with the accompany files of papers, referred to the Committee on the Judiciary:

FEDERAL TRADE COMMISSION,
Washington, February 6, 1926.

To the PRESIDENT OF THE UNITED STATES SENATE,
Washington, D. C.

DEAR SIR: I have the honor to acknowledge on behalf of the Federal Trade Commission the receipt of Senate Resolution 141, adopted February 5, 1926, reading as follows:

"*Resolved*, That the Federal Trade Commission be directed to transmit to the Senate, at the request of the Committee on the Judiciary, any evidence, documentary or otherwise, in its possession affecting the question of whether there have been infractions by the Aluminum Co. of America of the decree entered against it in the year 1912 in the District Court for the Western District of Pennsylvania."

In pursuance of the foregoing resolution the commission is pleased to transmit herewith to the Senate the files containing all evidence in its possession covered by the resolution.

Accompanying sheets identify the files, and it is requested that such files be returned to the commission when they shall have served their purpose, as the files contain original documents upon which a published report of the commission is based and original papers required in the prosecution of a case instituted by the commission for violation of law, which case is now proceeding.

By direction of the commission.

Cordially yours,

C. W. HUNT, *Acting Chairman.*

JUDGMENTS OF THE COURT OF CLAIMS—WAR DEPARTMENT (S. DOC. NO. 54)

The VICE PRESIDENT laid before the Senate a communication from the President of the United States, with an accompanying letter from the Director of the Bureau of the Budget, transmitting, pursuant to law, a list of judgments rendered by the Court of Claims (submitted by the Attorney General through the Secretary of the Treasury and requiring an appropriation for their payment), under the War Department, amounting to $129,783.11, which, with the accompanying papers, was referred to the Committee on Appropriations and ordered to be printed.

JUDGMENTS OF COURT OF CLAIMS—WAR AND NAVY DEPARTMENTS (S. DOC. NO. 52)

The VICE PRESIDENT laid before the Senate a communication from the President of the United States, with an accompanying letter from the Director of the Bureau of the Budget,

transmitting, pursuant to law, a list of judgments rendered by the Court of Claims (submitted by the Attorney General through the Secretary of the Treasury and requiring an appropriation for their payment), under the War and Navy Departments, amounting to $991,725.24, which, with the accompanying papers, was referred to the Committee on Appropriations and ordered to be printed.

JUDGMENTS OF DISTRICT COURT OF UNITED STATES (S. DOC. NO. 50)

The VICE PRESIDENT laid before the Senate a communication from the President of the United States, with an accompanying letter from the Director of the Bureau of the Budget, transmitting, pursuant to law, records of judgments rendered against the Government by the United States district courts, as submitted by the Attorney General through the Secretary of the Treasury, amounting to $17,135.51, under the United States Veterans' Bureau, Navy Department and War Department, and requiring an appropriation for their payment, which, with the accompanying papers, was referred to the Committee on Appropriations and ordered to be printed.

CLAIMS ALLOWED BY GENERAL ACCOUNTING OFFICE (S. DOC. NO 53)

The VICE PRESIDENT laid before the Senate a communication from the President of the United States, with an accompanying letter from the Director of the Bureau of the Budget, transmitting, pursuant to law, schedules of claims amounting to $229,982.29, allowed by various divisions of the General Accounting Office, under appropriations, the balances of which have become exhausted or carried to the surplus fund, which, with the accompanying papers, was referred to the Committee on Appropriations and ordered to be printed.

ESTIMATES OF APPROPRIATIONS FOR DEPARTMENT OF COMMERCE (S. DOC. NO. 55)

The VICE PRESIDENT laid before the Senate a communication from the President of the United States, with an accompanying letter from the Director of the Bureau of the Budget, transmitting, pursuant to law, supplemental estimates of appropriations, in the sum of $80,000, required for the Department of Commerce for the fiscal year ending June 30, 1926, which, with the accompanying papers, was referred to the Committee on Appropriations and ordered to be printed.

CLYDE STEAMSHIP CO. (S. DOC. NO. 51)

The VICE PRESIDENT laid before the Senate a communication from the President of the United States, with an accompanying letter from the Director of the Bureau of the Budget, transmitting, pursuant to law, a record of judgment rendered against the Government by the United States District Court for the Eastern District of New York, as submitted by the Attorney General through the Secretary of the Treasury in favor of the Clyde Steamship Co., amounting to $802.80, which, with the accompanying papers, was referred to the Committee on Appropriations and ordered to be printed.

REPORTS OF THE COMMERCE COMMITTEE

Mr. BINGHAM, from the Committee on Commerce, to which were referred the following bills, reported them each without amendment and submitted reports thereon:

A bill (S. 2784) granting the consent of Congress to the Louisiana Highway Commission to construct, maintain, and operate a bridge across the Black River at or near Jonesville, La. (Rept. No. 153); and

A bill (S. 2785) granting the consent of Congress to the Louisiana Highway Commission to construct, maintain, and operate a bridge across the Ouachita River at or near Harrisonburg, La. (Rept. No. 154).

WOODROW WILSON

Mr. NEELY. Mr. President, I present an editorial from the Wheeling Register of the 3d instant on the late President Woodrow Wilson, which I ask may be printed in the RECORD.

There being no objection, the editorial was ordered to be printed in the RECORD as follows:

[From the Wheeling Register, Wednesday, February 3, 1926]

WOODROW WILSON

To-day two years ago occurred the death of Woodrow Wilson, martyr President of the World War, after a long and lingering illness brought about by heart and body wounds suffered in line of duty. If one must die, what nobler death than fighting for the right against great odds?

The last audible words of Woodrow Wilson were, "I am ready!" His work here was done, but the dying man knew that the right for which he stood would conquer. Ofttimes it is that leaders must give, sacrifice, and die to perpetuate a cause—to ennoble and endow it with a triumphant spirit.

Shortly after the passing of the anniversary of Woodrow Wilson's birth, December 28 last, it was chronicled in the press that more than 500 dinners and meetings were held over the country in his honor, and these without the spur of organized propaganda, without an effort to be impressive, without ostentation—but spontaneously and feelingly, because living people who hold fast to the great faith and precepts of Woodrow Wilson wanted to meet in his name and renew, reaffirm, and repledge themselves in allegiance to that faith.

And now, on the second anniversary of his death, we find the United States (not the United States of the erstwhile irreconcilables, but the United States of to-day) petitioning for membership in the World Court, that tribunal of international justice established under the covenant of the despised League of Nations.

Passing time cures many ills, and tides of reality roll in upon the minds of the people and wash away hatreds, animosities, and jealousies, leaving there instead clearness, vision, and facts. Entrance into the World Court is much more heartily indorsed over the country than even the one-sided vote in the Senate indicated, and all because the American people now realize, soberly and sanely, that the world is calling for this great country to advance and assume the moral leadership which Woodrow Wilson saw and coveted for us.

It is our duty to forget selfishness and serve all humanity. And that can best be done through closer contact and better relations with other people who look to us for guidance. Because Woodrow Wilson has gone on, nothing mortal man can say to condemn him will so act. He has passed beyond the realm of the living. He must be judged by his works, and God knows his works stand out triumphant and enduring. They will continue to grow in importance, calling to mankind to climb those heights to which they ever point.

PROHIBITION OBSERVANCE

Mr. JONES of Washington. Mr. President, a few days ago there was placed in the RECORD an interview with, or statement by Doctor Empringham, of the Episcopal Church, with reference to prohibition. I have here an article from the New York Times of February 6, giving a statement from different bishops of that church, which I ask may be printed in the RECORD, together with an address by Bishop Manning of the same church.

The VICE PRESIDENT. Without objection it is so ordered. (The statement and address are as follows:)

MANNING REPUDIATES MODIFICATION PLEA; URGES DRY CRUSADE—BISHOP RALLIES THE CHURCH FOR NATION-WIDE DRIVE TO SUPPORT PROHIBITION—LAW NOT AN "IMPIOUS ONE"—IF EVER RESISTANCE IS NECESSARY HE HOPES IT WILL BE IN HIGHER CAUSE THAN LIQUOR—HIS STAND HEARTENS DRYS—WHEELER APPLAUDS IT—DOCTOR GRANT DISCLOSES WET MOVE BY CLUBS—EMPRINGHAM UNDAUNTED

Bishop William T. Manning repudiated the Church Temperance Society's "change of policy" favoring light wines and beer in a sermon on prohibition yesterday morning at the Cathedral of St. John the Divine. He said the society did not speak for the Episcopal Church of either the Nation or the diocese of New York. He made an earnest appeal for prohibition enforcement and expressed the belief that the country would never repeal the eighteenth amendment or the Volstead Act.

The modification policy of the Church Temperance Society was a subject of intense interest in church circles yesterday and was discussed in many pulpits by clergymen who were virtually unanimous in their support of views entertained by Bishop Manning.

The Rev. Dr. Percy Stickney Grant, former rector of the Episcopal Church of the Ascension, in a sermon in the morning at the St. Mark's-in-the-Bouwerie, charged that group identified only by number were being organized in clubs and colleges to coperate in fighting prohibition.

Wayne B. Wheeler, national counsel to the Anti-Saloon League, hailed Bishop Manning's stand for prohibition as destined to give heart to the forces that were fighting the movement of organized liquor interests to upset the Volstead Act.

EMPRINGHAM TO REPLY LATER

Soon after Bishop Manning had preached his sermon, Dr. James Empringham, national secretary of the Church Temperance Society, returned from Washington. He declined to explain why he went to the Capital or by whom he was invited. He said he would answer Doctor Manning later.

Dr. James V. Chalmers, former president of the Church Temperance Society, said Doctor Empringham had "backslidden" and that he must have acted without authorization of the board of managers of which Doctor Empringham was not a member in the administration of Doctor Chalmers.

Crowds surpassed only by the throngs that fill the great unfinished cathedral on Easter packed themselves into the edifice to hear Bishop Manning's prohibition sermon which he had announced on Thursday.

To take care of the overflow camp stools were placed in every corner of the crossing, along the winding reaches of the ambulatory, back of the choir stalls, and in the entrances of many of the chapels. Scores of worshipers found seats in the north gallery of the choir loft, and still there were hundreds standing at the head of the aisles and near the doorway of the crossing.

MORE THAN 2,500 HEAR HIM

Between 2,500 and 3,000 persons listened to Bishop Manning's sermon, according to an estimate of representatives of the cathedral. The congregation paid marked attention to every word.

In the course of his sermon the bishop raised the question of how the Church Temperance Society had reached its findings which, according to the Rev. Dr. James Empringham, national secretary of the society, showed that the 20,000 members of the society were overwhelmingly in favor of modification of the Volstead Act to permit manufacture and sale of light wines and beer. He also wanted to know, he said, whether the Church Temperance Society itself had authorized the announcement.

TEXT OF THE SERMON

Bishop Manning's text was from I Corinthians, viii, 13: "Wherefore, if meat causeth my brother to stumble, I will eat no flesh for evermore, that I cause not my brother to stumble." His sermon follows:

"There is at the present time much discussion of the question of prohibition, and in view of the great importance of this question to the life of our people, I feel it right, as bishop of this diocese, to make some statements upon the subject and to state clearly my own judgment in regard to it.

"Let me say first that undue importance has been attached to certain statements made in the name of the society known as the Church Temperance Society. This society has no official authorization and no right whatever to speak in the name of the Episcopal Church. It is a voluntary association and its statements have only such weight as may attach to those of any voluntary organization. They are not to be taken as representing the mind of the Episcopal Church. For some years past the church has scarcely been aware of the existence of this society and it has not been regarded as having weight and influence in the church.

CITES HOUSE OF BISHOPS' STAND

"How the findings were reached which were recently announced in the name of the society and whether this announcement was authorized and indorsed by the society itself we have still to learn. The mind of the house of bishops was expressed at the general convention in New Orleans last October by the adoption without a dissenting vote of the following resolution:

"*Resolved*, That facing the danger of the spirit of lawlessness in American life we welcome the renewed efforts of the Government of the United States to enforce strictly and impartially the prohibition laws and the antinarcotic laws which are so widely and cynically disregarded, and we call upon the people of our church to set a good example of that obedience to law without which no democracy can endure.

"As indicating the mind of our own diocese, our diocesan convention in 1923, after full consideration, adopted a resolution appealing to Governor Smith to veto the bill repealing the Mullan-Gage law. No action by the convention since that time has suggested any change in its sentiment upon the subject.

"My own judgment and conviction upon this question remain what they were when I addressed our convention upon the subject in 1922. I have given much study to the question and have considered carefully the evidence presented by those who believe in prohibition and by those who are opposed to it, and I have found no reason to change my views. I do not hold that to drink wine or other intoxicant in moderation is in itself a sin. But I believe that the prohibition law properly enforced will make us a healthier, stronger, and better people, and I believe that these laws can be and ought to be enforced and are being more and more generally observed in the country as a whole.

RECOGNIZES CERTAIN EVILS

"I recognize the truth of much that is said as to the increase of drinking among certain groups and classes of people, the lowering of standards, the flask-carrying, and other disgusting and degrading practices which have been introduced among those who ought to know better and to have nobler ideals of life. I recognize the evil and corruption connected with bootlegging in which, let us remember, the respected members of society who patronize the bootlegger and so create him are just as reprehensible as the men whom they thus tempt and pay to violate the law.

"We must remember, however, that the pictures of these violations of the law are drawn usually by those who wish to use them as an argument for the repeal or modification of the law. Other laws of our land are difficult of enforcement and are frequently violated, but we do not, therefore, suggest their modification or repeal. We must consider this law not in its effect upon certain groups or communities who willfully choose to defy and violate it, but in its effects upon the life of our country as a whole, and so considered there is, in my judgment, no room for serious doubt as to its beneficial results.

"By a great part of our people we see this law respected and obeyed. We see its observance in the country as a whole increasing and not decreasing. We see the lives and homes of our wage earners and our plain people immeasurably benefited by it. We see in many places jails closed because they are no longer needed. We see in such a situation as the present coal strike the entire absence of disturbance and disorder as a result largely of the prohibition laws. There is not the slightest likelihood that the country will ever repeal the prohibition laws, and we all know this.

CALLS WET PLANK IMPOSSIBLE

"Neither of the two great political parties could be prevailed upon even to consider a wet plank in its platform. Any political party which adopted such a plank would sign its own death warrant.

"I do not believe that the Volstead Act should be modified at this time. When the law is being so observed by all that we can be assured that its modification would not mean its practical nullification, when its modification is desired by the sincere friends as well as by the enemies of prohibition, some modification of it may and probably will be made.

"The return to the sale of wines and beer which some are advocating would, in my judgment, increase and not reduce the present evils and would make any enforcement of the law impossible. I do not believe that the country as a whole would listen to this.

"I see that some of our bishops and clergy say that this law can not be enforced. Instead of saying that it can not be enforced let us do our part to arouse the spirit which will insure its enforcement and give our help more strongly to our brethren and the other authorities who are laboring far more earnestly than we to secure this.

"Let me present briefly three or four of the main facts in regard to this question as I see them:

"1. This law is not a wrong or evil or impious one such as we should be justified in refusing to obey. I quote the words of John G. Sargent, Attorney General of the United States, in his recent address to the New York State Bar Association: 'That a traffic which for generations has been recognized and discussed and written about by economists, sociologists, and jurists as an evil may be marked for extinction by the lawmaking power and agencies of the country is not only settled law, settled beyond the stage of being longer open to question, but it has been settled and rests on foundations of soundest reasoning,' and our country had the full right to make that law.

SEES OBEDIENCE A DUTY

"The prohibition law being the law of our land, it is the duty of every good citizen to obey it. To quote the Attorney General again, 'In this country the will of the people, expressed at the ballot box, creates the duty of the citizen upon the subject voted upon.' The Attorney General no doubt recognizes, as I certainly do, that a law might be passed by a human tribunal so impious in its nature, so contrary to the law of God and of right that it would be our duty to defy and resist it to the death, but this is not such a law. If we are ever to resist the law in the name of personal liberty, I hope it will be in a higher cause than the right to buy and drink intoxicating liquors.

"3. Those who disapprove this law have the right to say so, and to work in lawful ways for its modification, or repeal, but no citizen of our land has the right to disobey this law or to encourage others to do so, and no one can do this without reflection upon himself and injury to the life of our country. As President Coolidge has said: 'It is the duty of a citizen not only to observe the law but to let it be known that he is opposed to its violation.' A democracy can endure only upon the foundation of observance of the law.

"4. The law has its great importance, but we must not depend only upon the law to promote temperance among our people. It is quite true that 'social legislation is never a substitute for social education.' In this one point, and this only, I agree with the recent statement made in the name of the Church Temperance Society. We need and should have by all the churches a continuous campaign of information and education as to the evils, physical, intellectual, economic, moral, and spiritual, which have cursed the world as the result of the use of intoxicating drinks.

URGES VOLUNTARY SUPPORT

"5. Last, I wish that we might lift this subject up from the level of mere law enforcement to the higher level of free, voluntary, willing support of the law for the sake of the common good.

"In view of what our race has suffered through the evils of strong drink, in view of the agony which fathers, mothers, and children have suffered from it, in view of the fact that its suppression means the reduction of poverty, sorrow, disease, and crime, may we not all of us be willing and glad to make such surrender of our personal liberties, or of our tastes, as the law calls for, and to see prohibition fully and fairly tried.

"We know that it was good for the young men of our land during the war and we know that it is equally good for them now. We are all stirred with pride and admiration at the wonderful and heroic rescue of those in danger by Captain Fried and the officers and men of the *President Roosevelt*. That is an example which is an honor to our country and gives all of us a fresh impulse for nobler living. What a magnificent thing it would be if for the aid of those who are endangered by strong drink we should all of us give our full support to the prohibition laws. What better exhibition could there be of the

idealism of America than such willing surrender of our preferences and tastes for the good of all and for the help especially of our weaker brethren? Shall we not all give our help to it?

"There is no nobler spirit than that which says with St. Paul, 'If meat maketh my brother to stumble, I will eat no flesh forevermore, that I make not my brother to stumble.'

"I wish that the clergy of our church and of all churches all over our land would join in a crusade for such voluntary and noble action in support of the law, and that the people of all churches and all good citizens would unite in such a movement. Can anyone doubt that this would be for the moral and spiritual good of our country?"

NINETEEN BISHOPS OF EPISCOPAL FAITH STAND BY DRY LAW—FIVE FAVOR MODIFICATION OF ACT AS PROPOSED BY CHURCH SOCIETY—MAJORITY FOR OBSERVANCE—FEAR RETURN OF THE CONDITIONS WHICH EXISTED BEFORE THE PASSING OF SALOONS—FOES RIDICULE THE LAW—THEY HOLD IT IS NOT ENFORCEABLE AND HAS BROUGHT ON GENERAL LAWLESSNESS

Twenty-four bishops and suffragan bishops of the Protestant Episcopal Church have answered an inquiry from the New York Times as to whether they approve the change of policy of the Church Temperance Society in favor of modifying the Volstead Act. Of that number 5 favor modification and 19 announced their opposition to a change in the present law.

The inquiries sent by the Times to the bishops and suffragans asked whether you "approve or disapprove of the stand of the Church Temperance Society favoring modification of the Volstead Act"?

The bishops lined up as follows:

FOR MODIFYING VOLSTEAD ACT

Bishop Frederick B. Howden, Alberquerque, N. Mex.
Bishop Cameron Mann, Orlando, Fla.
Bishop George Herbert Kinsolving, Austin, Tex.
Bishop A. C. A. Hall, Burlington, Vt.
Bishop John C. White, Springfield, Ill.

AGAINST MODIFYING VOLSTEAD ACT

Bishop William T. Capers, Dallas, Tex.
Bishop J. P. Tylor, Fargo, N. Dak.
Suff-Bishop W. Blair Roberts, Sioux Falls, S. Dak.
Suff-Bishop S. M. Griswold, Chicago, Ill.
Bishop John C. Ward, Erie, Pa.
Bishop James R. Winchester, Little Rock, Ark.
Bishop Benjamin Brewster, Portland, Me.
Bishop E. Cecil Seaman, Amarillo, Tex.
Bishop Walter Taylor Sumner, Portland, Oreg.
Bishop R. H. Mize, Topeka, Kans.
Bishop R. H. Weller, Fond du Lac, Wis.
Bishop Lewis W. Burton, Lexington, Ky.
Bishop Edwin S. Lines, Newark, N. J.
Bishop George A. Beecher, Hastings, Nebr.
Bishop J. M. Francis, Indianapolis, Ind.
Bishop James E. Freeman, Washington, D. C.
Bishop J. H. Darlington, Harrisburg, Pa.
Bishop James Wise, Topeka, Kans.
Bishop W. Blair Roberts, of South Dakota, wired:

"While I am not opposed to light wine and beer, I am opposed to any modification of the Volstead Act or the eighteenth amendment so long as civil officers are so remiss in enforcing the law and church members and other leading citizens show such utter disregard, not of that particular statute but of law, by persistently and openly disobeying it."

Bishop Thomas F. Gailor, of Tennessee, wired that he was not a member of the Church Temperance Society and could not express an opinion, and Bishop Edwin H. Coley, of Utica, "preferred to make no comment."

DISAPPROVES OF STAND

TOPEKA, KANS., February 5.—I entirely disapprove of the stand of the Church Temperance Society favoring modification of the Volstead Act. The history of the State of Kansas has demonstrated the value of prohibition and the practicability of its enforcement.

Bishop JAMES WISE.

PORTLAND, OREG., February 4.—Empringham statement does not represent church's attitude. What he may say, or small groups employing him, does not express the mind of the Episcopal Church. Most heartily disagree with his recommendations. After living 10 years in old Chicago red-light district, as chairman of Chicago's first Municipal Vice Commission, am convinced conditions to-day improved tremendously over wet years, socially, economically, morally, notwithstanding deplorable disregard for law enforcement in certain quarters and among certain classes. Drunkenness throughout old district almost universally due to beer drinking and vice protection by brewery interests.

Return to beer is for no other reason than to provide intoxicant. Those who deny this are either ignorant or interested in doing so. Volstead Act law is here to stay. Fathers and mothers and wives who have suffered will prevent its modification, which would ultimately and intentionally end its usefulness. It can be upheld and is bound to be more and more as time passes.

WALTER TAYLOR SUMNER.

CONDEMNS "LIQUOR RING"

FOND DU LAC, WIS., February 4.—I think the prohibition amendment as interpreted by the Volstead Act has done as much good as could have been expected, considering the looseness of its enforcement. During a long period it has been a football for politicians, but at present seems to be in the hands of its friends, who are making reasonable progress. The old saloon system, with all its attending evils, was under the control of the breweries and the distillers, and any radical amendment of the Volstead Act would put them in the saddle again. I do not think we can afford to admit that the liquor ring is stronger than the Government, nor do I think the Supreme Court would allow Congress to practically nullify the Constitution.

R. N. WELLER.

WOULD OPEN WAY TO LAWLESS

SALINA, KANS., February 5.—Am wholly out of sympathy with statements of the Church Temperance Society, which does not speak for the Episcopal Church, and probably has not members in the West. The Episcopal Church in these parts is whole-hearted on the eighteenth amendment and the Volstead Act. To modify the law would but open the way to further lawlessness. Most of us are glad to obey the law, and rejoice in the good influence upon our economic and social life.

R. H. MIZE.

SHOULD BE LARGER MODIFICATION

WINTER PARK, FLA., February 5.—I have not seen the proposition of the Church Temperance Society. But I am fully convinced that there should be very large modifications of the Volstead Act. The rights of individuals and the welfare of the community require this.

CAMERON MANN.

BELIEVES PEOPLE IMPROVED

LEXINGTON, KY., February 5.—Terrible things have been attributed to prohibition which have had other causes and which would have been worse without the constitutional amendment. This is true of the behavior of young people. It is the extreme of the new freedom and parents are reaping the harvest of the laxity, materialism, and irreligion they themselves have sown.

The disrespect for law had a serious menace in this country, even before the World War. I believe that the general condition of our people in this country has been decidedly improved by prohibition. Prohibition is a huge nation social experiment in the result of which the world is interested. Let respectable people and, above all, Christians, set an example of loyalty to law; let them deny themselves for the sake of weaker brethren. Such a stand will turn the tide in favor of prohibition and give us a nation sober and prosperous.

BISHOP LEWIS W. BURTON.

DISAPPROVES SOCIETY'S ACTION

NEWARK, N. J., February 5.—Bishop Lines of Newark entirely disapproves of the action of the officers of the Church Temperance Society and thinks no one ought to regard it as expressing in any way the minds of the Episcopal Church. The society had no official connection with the Episcopal Church whatever and the friends of strong drink are seeking unwarranted comfort from the report, while the enemies of strong drink should not be discouraged.

WOULD NOT VOTE FOR REPEAL

HASTINGS, NEB., February 5.—I do not believe that this action of the Church Temperance represents the feeling of the majority of the members of the Episcopal Church of the country. I did not vote for the Volstead law, but I would not vote to have it repealed. I disapprove of the principle of the modification of the act, because I do not believe there is a middle ground.

GEORGE A. BEECHER.

SUPPPORTS TEMPERANCE SOCIETY

AUSTIN, TEX., February 5.—I heartily approve the stand of the Church Temperance Society, and, in addition, have always been strongly opposed to extreme prohibition. The conclusions of the Church Temperance Society are, in my opinion, true and unanswerable.

Bishop GEORGE HERBERT KINSOLVING.

GLAD TO SEE MODIFICATION

BURLINGTON, VT., February 5.—While in favor of enforcement of existing laws, I should be glad of a modification of the Volstead Act. The Church Temperance Society should consult its members.

A. C. A. HALL.

CONSIDERS ACTION ILL-ADVISED

INDIANAPOLIS, IND., February 5.—I consider the action of the Church Temperance Society ill-advised and harmful in its effect. While I believe much more in temperance than in prohibition, I feel strongly that so long as the Volstead Act is in effect the law should be obeyed. The Church Temperance Society, which is a voluntary organization, does not and can not speak for the church.

JOSEPH M. FRANCES.

MAKES NO COMMENT

UTICA, N. Y., February 5.—Prefer to make no comment on the subject suggested.

Very truly yours,

EDWARD H. COLEY.

THINKS THE LAW IS A JOKE

SPRINGFIELD, ILL., February 5.—I am heartily in favor of the report of the Church Temperance Society and their stand for a modification of the Volstead Act. I do not believe that the present law can be really enforced without a standing army. It has become largely a great joke and a source of corruption of our young people and is a gold mine to bootleggers in every grade of our society. No use hoodwinking ourselves in the face of facts; they are well known to everybody who wants to know.

JOHN C. WHITE.

CHURCH STANDS FOR ENFORCEMENT

WASHINGTON, D. C., February 5.—The church can ill afford to indulge in a discussion that must inevitably result in weakening of law enforcement. It is the business of the church to stand for the enforcement of law. It weakens its whole appeal when it joins with those who to-day are utterly heedless of their obligations to what is the duly constituted law of the land.

If the church would address itself more unremittingly to the supreme business of strengthening the moral character of the people, it would gain a firmer hold upon those who to-day lightly esteem it.

Such pronouncements as those recently made have behind them nothing of authority and make no impression whatever upon public opinion. The lawmaking bodies of this country are not affected by statements that proceed from such sources.

JAMES E. FREEMAN.

SHOCKED BY SOCIETY PROPOSAL

HARRISBURG, PA., February 5.—In answer to your inquiry would state that as vice president for many years of the Church Temperance Society and one of its oldest members I was shocked to read in the newspapers of the contemplated change in its policy from its past ardent support of the prohibition law. The society at its beginning supported high-license laws, but when they were found to be almost worthless in controlling liquor excesses its new superintendent, Doctor Empringham, published strong prohibition articles in our magazine called "Temperance."

When the Volstead Act was passed many felt that the society had accomplished its work, and so regular publication of the paper ceased for a time and the society advocated other reforms. Though I have paid dues to the society I have received no notice of meetings for several years, and had no knowledge of the recent meeting of the society, and so did not attend, and think that the bishops and other clergy and laity are by any great majority against exempting wine and beer, and in favor of supporting President Coolidge in the strict enforcement of the prohibition law as it now stands, as it has been so successful in the rural districts and many cities. There should be another meeting of the society held soon to reconsider and express the will of the majority of the church.

Bishop Talbot, recent presiding bishop, and I are both in favor of the present law. Bishop Colmore, of Porto Rico, told me yesterday that he held the same view. Bishop Ward, of Erie, favors prohibition, and his splendid resolution for stricter law enforcement was passed unanimously in the House of Bishops in New Orleans last October.

Rescue missions know that beer drunkards are hardest to reform. When I was in Berlin to lecture at the university last July a large vote was polled in the German Reichstag to limit the brewers' purchases of barley so starving children could have bread.

Due to the Volstead law there are now no open legalized liquor saloons from the Atlantic to the Pacific, wherein bad women and worse men, gamblers, panderers, and vote buyers can meet and corrupt our youth. In former coal strikes like the present there were rioting and bloodshed, but thanks to our prohibitionist and churchman, Governor Pinchot, and our law-enforcing judges, with miners idle for six months and much poverty and distress, there has been no disorder, no law-breaking. To weaken the national prohibition law, which is working so admirably when properly supported by the State authorities, would be criminal foolishness, and the plain people and business interests of the country will never submit to it. The diocese of Harrisburg, which covers a territory larger than the four States of Rhode Island, Connecticut, New Jersey, and Delaware, has twice in diocesan conventions voted unanimously for strict prohibition enforcement.

JAMES HENRY DARLINGTON.

SAYS CONDITIONS WARRANT ACTION

ALBUQUERQUE, N. MEX., February 4.—The stand taken by the Church Temperance Society in relation to the present application of the national prohibition is, in my opinion, warranted by actual conditions throughout the country. Prohibition as we now are attempting to enforce it has become a menace to the best moral and civic interests of the Nation, and the suggestion that the Volstead Act be modified seems a possible remedy. It should at least be given sympathetic consideration by Congress in a serious effort to bring relief to an intolerable condition of injustice, hypocrisy, and lawlessness.

Bishop FREDERICK B. HOWDEN.

DENOUNCES BREAKERS OF ALL LAWS

SIOUX FALLS, S. DAK., February 5.—While not opposed to light wine and beer in themselves, I am opposed to any modification of the Volstead Act or the eighteenth amendment so long as civil officers are so remiss in enforcing the law and church members and other leading citizens show such utter disregard not of that particular statute but of law by persistently and openly disobeying it.

Bishop W. BLAIR ROBERTS.

DISAPPROVES LAW HINDRANCE

EVANSTON, ILL., February 5.—I heartily disapprove any action which makes more difficult the enforcement of the prohibitory law.

Bishop S. M. GRISWOLD.

URGES STRICT ENFORCEMENT

ERIE, PA., February 4.—Years ago I became an honorary vice president of the Church Temperance Society, as I thought it was helping the cause of temperance. No one has a right to assume that the men who were interested in this society years ago approve of Doctor Empringham's present stand. Personally, I am strongly opposed to the modification of the Volstead Act and heartily in favor of the strictest enforcement of that act and of the eighteenth amendment. I think the strict and impartial enforcement of these laws would result in the greatest economical, social, and general advance of the whole Nation. As Attorney General Sargent pointed out, the real problem is to persuade otherwise respectable and law-abiding citizens to cease bribing bootleggers to break the laws of the United States. This great task of education and conversion is part of the responsibility of all the churches.

Bishop JOHN C. WARD.

CALLS EXPERIMENT TOO UNCERTAIN

PORTLAND, ME., February 4.—The remarks of the superintendent of the Church Temperance Society, if correctly reported, seem to me not to be based upon a thorough investigation of conditions throughout the country, especially in rural districts. Whatever criticism on theoretical grounds may be made of the principle of prohibition, I believe the duty of the hour is to promote the observance of the present law among all, rather than to hazard the experiment of a modification, which we are by no means certain would diminish the evils that arrive from the defiant attitude of some people. I therefore disapprove of the attempt to modify the Volstead Act.

BENJAMIN BREWSTER,
Bishop of Maine.

SAYS NATION ACCEPTED PROHIBITION

FARGO, N. DAK., February 4.—For more than 100 years prohibition was intensively and extensively studied and discussed. No question ever decided by the American people was better understood. Before national prohibition went into effect 33 States, acting separately for themselves, had adopted prohibition. More than three-fifths of the people and four-fifths of the territory were under prohibition. The eighteenth amendment was submitted by a vote of more than two-thirds by both Houses of the United States Congress and has been ratified by 46 of the 48 States.

By opinion of the United States Supreme Court in 1920 both the eighteenth amendment and the Volstead enforcement code were declared to be constitutional. With prohibition and every other law the good of the people can be enforced by placing men in authority who

have the inclination, courage, and ability to do what they are paid and sworn to do. For these reasons and for the fact that prohibition is succeeding I am opposed to the new position taken by the Church Temperance Society of the Episcopal Church if correctly stated in the press favoring modification of the Volstead Act to legalize beer and wine. I do not agree with the sentiments expressed by the Reverend Doctor Emphringham.

Bishop J. P. TYLER.

URGES SUPPORT FOR DRY LAW

AMARILLO, Tex., February 5.—The announcement favoring modification of the Volstead law distresses me as lining up Doctor Empringham's unofficial society with organized liquor traffic, which is impeding law enforcement. In Texas good citizens sought not to modify the law against cattle stealing but gradually reduced the violation to a minimum by destroying offending organizations. Our church stands on the official action of the 1916 general convention and the 1917 House of Bishops as follows:

"This church places itself on record as favoring such action in our legislative assemblies as will conserve the largest interest of temperance and the repression of the liquor traffic." (Journal of general convention of 1916, p. 328.)

And, "grateful for the action of the President and of Congress in restricting the manufacture and sale of liquor, we urge all to support the authorities in enforcing the law and to set a personal example of abstinence.

"Individuals or societies taking any other position repudiate the church's position and in my opinion impede righteousness."

E. CECIL SEAMAN,
Bishop of North Texas.

DEMAND OF UNION LABOR FOR BEER

Mr. BROUSSARD. Mr. President, just immediately following the matter offered by the Senator from Washington [Mr. JONES] to be printed in the RECORD, I ask that there be printed in the RECORD an article appearing in the Washington Herald of this morning entitled "Union labor demands beer and asks clergy's aid."

The VICE PRESIDENT. Without objection it is so ordered.

The article referred to is as follows:

[From the Washington Herald, February 8, 1926]

UNION LABOR DEMANDS BEER AND ASKS CLERGY'S AID—DRY LAW FAILS, SAYS GREEN, IN OPENING DRIVE TO MODIFY ACT—LAST TWO FEDERATION CONVENTIONS INDORSED WINES AND 2.75 PER CENT BREW, HE POINTS OUT—CHURCH URGED TO HELP—CONFERENCE TO PROMOTE "REAL TEMPERANCE" IS PLANNED AS PART OF WORKERS' FIGHT

NEW YORK, February 7.—Organized labor is preparing to hurl its weight onto the scale against prohibition. With William Green, president of the American Federation of Labor, coming out flatfootedly for the amendment of the prohibition act and a national committee endeavoring to enlist the clergy of the country in the movement, the workingman is getting ready to open a drive for his beer.

Green's attitude is revealed in a bulletin being circulated to-day in national labor circles by the International Union of United Brewery, Flour, Cereal, Mill; and Soft-Drink Workers.

"PROHIBITION FAILS"

It quotes him as saying the last two Federation conventions favored 2.75 beer, and prohibition is a failure. He says:

"We feel that the failure to enforce prohibition is breeding contempt and disrespect for law in general."

At the same time the National Committee of Organized Labor to Amend the Volstead Act announces it will call an immediate conference with the clergy to bring about genuine temperance.

SPURIOUS DRINKS

John Sullivan, president of the Central Trades and Labor Council of Greater New York and Vicinity, representing 700,000 workers, to-day declared labor thinks light wines and 2.75 beer are the proper remedy "for the destruction and misery caused by spurious drinks."

He said the national committee will seek the support of clergymen of all denominations, adding:

"It is apparent that clergy of all denominations, Protestant as well as Catholic, see the necessity of bringing about an amendment of the Volstead Act."

THE FEDERAL ESTATE TAX

Mr. FLETCHER. Mr. President, I ask to have printed in the RECORD a short editorial from the Washington Post of yesterday, entitled "The Federal estate tax."

There being no objection, the editorial was ordered to be printed in the RECORD as follows:

[From the Washington Post, Sunday, February 7, 1926]

THE FEDERAL ESTATE TAX

In defense of the Federal estate tax it is said that it will tend to check the growth of large fortunes. But is not such a Federal death tax a penalty on industry, thrift, and business success? Do not the possessors of large fortunes already pay a large income tax to the Government?

The estate tax is communistic in essence; and no party except the Socialist Party indorses the Federal estate tax.

It is claimed that Jefferson and Wilson indorsed a Federal estate tax. Where and when did Jefferson ever indorse such a tax? True, President Wilson in 1916 signed a tax bill containing a Federal estate tax, but that in the emergency of war, when revenue was needed from all sources.

Should not the South vote solidly against a Federal estate tax? Such a tax is not paid by great corporations, but is paid by individuals. A State inheritance tax is quite sufficient.

Take the State of Texas, for example. The House provision for a 20 per cent Federal estate tax, with 80 per cent refunded to the estate in Texas paying a State inheritance tax, says to the State of Texas: "If you refuse to obey my commands, instead of taking annually out of your State $4,000,000 as an inheritance tax, your State will be penalized, and for your disobedience it will be assessed a fine of $16,000,000 and will have to pay annually $20,000,000 to Washington, instead of $4,000,000."

Every dollar taken from the people by the Government not necessary to carry on the Government is governmental robbery. The Federal estate tax provided for in the House measure plainly states that the Government needs only one-fifth of the sum which it will take from the States if they dare refuse to do what the House demands.

The Senate bill repeals altogether the Federal estate tax. This amendment should stand and become a part of the law.

RECESS

Mr. SMOOT. I ask that the Senate carry out its unanimous-consent agreement to take a recess until 11 o'clock to-morrow.

The VICE PRESIDENT. Without objection, the Senate will stand in recess until to-morrow at 11 o'clock.

Thereupon the Senate (at 9 o'clock and 15 minutes p. m.) took a recess until to-morrow, Tuesday, February 9, 1926, at 11 o'clock a. m.

HOUSE OF REPRESENTATIVES

MONDAY, *February 8, 1926*

The House met at 12 o'clock noon.

The Chaplain, Rev. James Shera Montgomery, D. D., offered the following prayer:

O Thou who art the King of kings and Lord of lords, to whom the rich and the poor, the tutored and untutored, the high and low, may look up with faith and call Thee "our Father," hear our prayer. We praise Thee that Thou art so infinitely divine; we are so human. Sometimes we fail and falter, and our judgment is weak, and desire takes the place of need. Do Thou endow us plenteously with those gifts that enlighten the mind, so that our daily labor and personal conduct shall be in harmony with Thy will. We pray that Thy Holy Spirit may be with our whole country, so that the nations shall know that we are the exponent of those wonderful virtues which were taught and incarnated in the life and character of Jesus of Nazareth, the Savior of men. Amen.

The Journal of the proceedings of Saturday, February 6, 1926, was read and approved.

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted to Mr. ROBSION of Kentucky for one week, on account of important business.

DISTRICT BUSINESS

The SPEAKER. This is District day.

Mr. ZIHLMAN. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of District business now on the calendar. Pending that motion, I submit a unanimous-consent request that general debate upon all these bills be limited to three hours, one half to be controlled by the gentleman from Texas [Mr. BLANTON] and the other half by myself.

The SPEAKER. The gentleman from Maryland asks unanimous consent that general debate upon these bills be confined to three hours, one half to be controlled by himself and the other half by the gentleman from Texas [Mr. BLANTON]. Is there objection?

Mr. BLANTON. Mr. Speaker, that would be satisfactory, with the understanding that the committee program as understood in the committee be carried out in respect to certain bills.

Mr. TILSON. Mr. Speaker, will the gentleman from Maryland yield?

Mr. ZIHLMAN. Yes.